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NEWS SUMMARY

GENERAL

Pope's Mass attended by 1.5m

Pope John Paul left his native Poland last night after his nine-day visit, and said "his heart would never be parted" from the country.

Before his departure, he celebrated Mass on the Blonie field in Cracow to commemorate the 900th anniversary of the death of St. Stanislaus, martyr and Bishop of Cracow. The Mass was attended by about 1.5m including bishops and cardinals from 38 countries.

He told the applauding audience that the celebrations on his visit had led to "a great prayer for the victory of the moral order in this difficult era of our history. Back Page

Ulster man dies after gun battles

An Ulster man, who was acquitted earlier this year of attempting to murder an army officer, died yesterday after gun battles with troops and a prison officer near the border. He was Dadar McElvenne, 24, of Armagh.

In England, police issued appeals to the public to keep a careful eye on all mail after four letter bomb blast on Friday in Birmingham, and a bomb on Saturday in the Berkshire village of Streatley.

Oil statement

Energy Secretary David Howell will make a statement today in the Commons in response to mounting criticism of the Government's handling of oil and petrol supplies. It is understood, however, that he will not be announcing measures to improve the problem. Back Page

Airlift starts

The airlift from Hong Kong to the UK of 882 Vietnamese boat people starts today, with the first batch arriving at Heathrow tomorrow. More refugees arrived in Hong Kong yesterday.

Taxi protest

London's cab drivers are threatening to disrupt the State visit tomorrow of Kenya President Daniel Moi with a blockade of 2,000 taxis. They are protesting at the delay in authorising fare increases of 25 per cent.

Bishop confident

Bishop Muzorewa, Prime Minister of Zimbabwe Rhodesia, described President Carter's refusal to lift economic sanctions against his country as a temporary setback, and was confident that the U.S. Congress would redress the situation." Page 2

Settlement plans

Work is to begin within a fortnight on two Jewish settlements in the occupied West Bank. The news came as Israelis and Palestinians demonstrated separately against a settlement started last week near Nablus, the West Bank's largest town. Page 2

Somoza fights on

The counter offensive launched by General Somoza, President of Nicaragua, against strongholds held by guerrillas fighting to overthrow his regime is gaining ground. The south of the country fell over the weekend after 12 days of heavy fighting. Page 2

Briefly . . .

Four members of the exiled family of Iran's armed forces were executed by firing squad in Tehran yesterday.

Two Soviet musicians who defected in Japan left Tokyo for the U.S. last night, Japanese Foreign Ministry said.

Four people died when two light planes crashed in mid-air at an air rally near Schwarmstedt, West Germany.

Jon and Bill Whittington of the U.S. and Klaus Ludwig of West Germany won the Le Mans 24-hour motor race in a Porsche.

Osborn Stella Taylor, 47, is trying for the third time to become the first person to swim from the Bahamas to Florida.

Prime Minister's son, Mark Thatcher, won the annual Lords versus Commons motor race at Brands Hatch in car No. 10.

ITV is to screen a film this autumn of pop singer Elton John's Russian tour.

BUSINESS

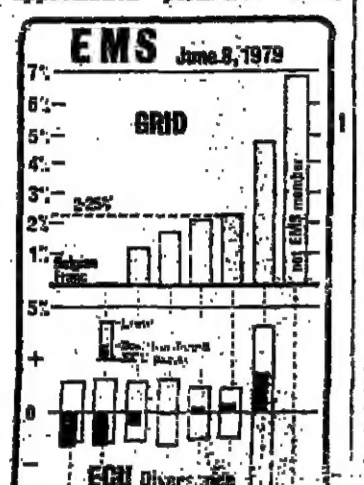
New car sales in UK rise by 47%

● SALES of new cars in the UK last month were 47 per cent higher than in May, 1978, according to figures published by the Society of Motor Manufacturers today.

Record sales in May of 193,269 were 51,473 up on sales for the previous month.

Manufacturers said that demand was swelled by customers buying ahead of expected price increases—all major manufacturers raised prices from the middle of May—and fears of higher VAT in the Budget. Back Page

● WEAKEST currency in the European Monetary System is currently the Belgian franc, against which the D-Mark ended the week with the maximum appreciation permitted under



EMS rules. The upper chart also shows the lira to have appreciated by nearly 5 per cent—well below its specially permitted appreciation limit of 6 per cent—with sterling, which does not conform to EMS rules, stronger still.

The lower chart shows the adjusted deviation of each currency from its central rate against the European Currency Unit, compared with the maximum permitted before corrective action is due. The Belgian franc and Danish krone have triggered their "divergence indicators."

The Financial Times will publish this diagram every Monday to show whether, and what, strains are developing in the EMS.

Cut in NEB budget sought

● GOVERNMENT policy on the NEB will centre on a cutback in the Board's annual budget and a programme of disposals which will ensure that the private sector can participate in the successful companies in the NEB portfolio. Back Page

● PLANS put forward by Rio Tinto-Zinc for the rescue of the Wheal Jane tin mine in Cornwall have fallen foul of the Government's determination to cut financial aid to industry. Page 4

● BRAZIL resumes coffee exports today after stopping them on June 4 to make price adjustments following losses through severe frosts. Back Page

● PLANS by Romania to build the British Aerospace 1-11 twin-engined jet airliner in quantity through the 1980s were confirmed over the weekend, when final contracts were signed between the UK group and the National Centre of the Romanian Aircraft Industry. Back Page

● SUN ALLIANCE Linked Life Assurance, a Sun Alliance group subsidiary, reports substantial growth in funds under management during the first 14 months of operation. By the end of 1978, the total value of funds was £6.5m. Page 14

● DUNLOP'S trade unions hope to persuade the company to branch out into new markets, in a bid to reopen the former tyre plant at Speke, Merseyside. Page 4

● SIGNS of an increasing shift in world wool textile production—from its traditional centres in the northern hemisphere to producers in the developing world and Comecon—are concerning European leaders of the industry. Page 3

● WEST EUROPEAN chemical industry should experience growth of 4 to 5 per cent this year, according to the European Council of Chemical Manufacturers' Federations. Page 2

Big VAT rise will boost pay claims, union leaders warn

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A BIG increase in indirect taxes in tomorrow's Budget might lead to claims for wage rises of 20 per cent or more, according to leaders of two of Britain's biggest trades unions.

The warnings came from Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers, and Mr. David Basnett, general secretary of the General and Municipal Workers' Union.

The leaders were commenting on forecasts in yesterday's Weekend World television programme that if the value-added tax rate were standardised at 12½ per cent, the 12-month inflation rate might reach 16 per cent in the next few months.

Mr. Basnett said that in those circumstances his members might not settle for less than 20 per cent increases. Income tax cuts did not affect wage claims and would not on this occasion. He expected the Government to reverse direction on incomes policy in about 18 months.

Sir Geoffrey Howe, the Chancellor, is expected to speak for between an hour and 90 minutes tomorrow. The highlight will be the first stage of a substantial cut in income tax to be financed through higher indirect taxes and reduced public spending.

It will be presented as the start of a programme of restoring incentive to the British economy while curbing the size of the public sector.

The speech might place more emphasis than expected on energy. A *new tax* might be proposed to raise the price of traditional sources of domestically produced energy, chiefly gas, to that of oil. That suggestion has been under detailed consideration in Whitehall.

The basic VAT rate will probably rise from 8 per cent to 12½ per cent. Apart from higher nationalised industry prices, school meal and prescription charges may rise. A big increase in Customs and Excise duties on alcohol, tobacco and petrol may be proposed to restore their value in real terms to that in the early 1970s.

Income tax is expected to be cut throughout the range. The top marginal rate of 83 per cent *is likely to fall at least to 75* per cent, while higher-rate thresholds will also be raised.

Personal allowances are likely to be increased by more than the rise enacted in April's caretaker Finance Bill: the minimum necessary to match last year's inflation. The big uncertainty remains the extent of any reduction in the present basic rate of 33p in the pound.

Sir Geoffrey is likely to indicate the Government's economic intentions in areas other than tax and public spending. In particular, a relaxation of exchange controls is probable, particularly on direct investment abroad.

A full statement as to whether sterling will be linked to the other EEC currencies in the European Monetary System is unlikely until the late summer, but Sir Geoffrey may possibly give some sign of future interest.

That might be via UK participation in the European system's short-term central bank currency swap facilities. Such a move is favoured by the Bank of England but would not of itself involve any further precise commitment to the system.

Sir Geoffrey will have to overcome the doubts of several groups that have become apprehensive about his intentions and about the general economic outlook since the election.

In the City, where gilt-edged prices have fallen by 4½ per cent in the past six weeks, the mood is nervous. The doubts centre on the Government's ability to reconcile its objectives of cutting income tax while limiting public-sector borrowing and the rate of monetary growth.

There is concern in the City about the extent to which borrowing may be held below £8.5bn in 1979-80 through purely financial transactions, such as the sale of BP shares, rather than cuts in the volume of expenditure or higher indirect taxes. That would do little to restrain activity or the private demand for credit.

These financial transfers have no net effect on monetary growth and may mask a higher public-sector financial deficit. They substitute partly for sales of gilt-edged stock.

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Exchange controls under review Page 12

Bankers call on U.S. to tighten monetary policy

BY DAVID MARSH IN BASLE

CENTRAL BANKERS have called on the U.S. to consider a further tightening of fiscal and monetary policy to ensure a slowdown of its economy.

The call came at the annual meeting in Basle of the Bank for International Settlements, whose annual report is published today.

The general view of the bankers is that the world faces the danger of a further bout of currency unrest and economic stagnation unless the U.S. maintains its efforts to aid the dollar.

Unless there are clear signs of a reduction in world inflation rates and a cooling off of the U.S. economy, it is feared that West Germany and Japan may be forced into restrictive measures to dampen the recent sharp acceleration in their inflation rates.

The bankers fear that tough anti-inflation action by Germany and Japan could spark a fresh round of currency unrest by drawing funds out of the dollar. The U.S. currency has strengthened sharply since last November's U.S. defence action back into the "hard currencies" of the D-mark, yen and Swiss franc.

This is a prerequisite for full restoration of confidence in the dollar, which in turn is seen as vital to the solution of many inter-related problems facing the world monetary system.

The central banks of Germany, Japan and Switzerland have been intervening strongly over the past few months to put a brake on the dollar's climb. *This reflects their view that its* strength has gone beyond that justified by the basic improvement in the U.S. balance of payments.

In the first five months of this year, Germany, Japan and Switzerland reduced their combined monetary reserves by *more than $20bn, running off* roughly two-thirds of the $30bn-plus increase in their reserves, which accumulated during the run on the dollar last year.

Governors and other top officials of the BIS's 29 shareholder central banks held discussions over the weekend amid conditions of strict security prior to the formal annual meeting of the bank which takes place today.

Apart from the main industrialised nations, shareholders of the BIS include most of the East European bloc and countries as widely spread as New Zealand, Israel and Turkey.

New Washington forecast of recession later this year

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE CONGRESSIONAL Budget Office is apparently now forecasting a serious U.S. economic recession later this year and through most of 1980.

This forecast, reported by the Washington Post yesterday, contrasts sharply with that of the Carter Administration. It envisages *real growth of only 2.4* per cent this year and 1.3 per cent next year, which is likely to mean two or three quarters of actual contraction in economic activity.

The Budget Office also foresees an increase of 10 per cent or more in the consumer price index for this year, dropping off to 8.3 per cent for 1980, and a steady rise in unemployment to the 7.5 per cent range, compared with under 6 per cent today.

While this forecast is just one out of many, it is bound to attract attention in Washington—particularly since it highlights one of the great problems confronting President Carter in any re-election bid.

This was re-emphasised at the week-end by a fresh New York Times-CBS pubic opinion poll which reported a sharp drop in the President's standing, largely because of the perceived ineffectiveness of his economic policies.

Mr. Carter's approval rating dropped to 30 per cent from 42 per cent in March. (Presidents Truman and Nixon have both ranked lower in the public estimation.) Mr. Carter's handling of economic issues was only endorsed by 20 per cent of the respondents to the survey.

Inevitably, the poll found Senator Edward Kennedy to be more popular than the President, in the opinion of both Republicans and Democrats. But Mr. Carter still held a sizeable lead over a far more certain opponent next year than *Senator Kennedy — Governor* Jerry Brown of California.

The poll actually gave Republican former California Governor Ronald Reagan an edge over Mr. Carter—although it should be stressed that this is an extrapolation from survey data and does not represent answers to a straight preference question.

But Mr. Reagan's great potential weakness—his age (he will be 69 *next* year)—was also emphasised. Although in the eyes of Republicans, Mr. Reagan was rated twice as popular as Mr. John Connally, former Treasury Secretary, and had *even wider leads* over Senator Howard Baker of Tennessee, Senator Robert Dole of Kansas and others, 62 per cent of those polled expressed doubts about voting for somebody who would be over 70 years old while in office.

TASS 'using jackboot tactics'

By Alan Pike, Labour Correspondent

THE COMMUNIST leadership of TASS, the white-collar section of the Amalgamated Union of Engineering Workers, was accused of "jackboot trade unionism" by the leader of another TUC union at the weekend.

Mr. John Lyons, general secretary of the Engineers and Managers Association, claimed TASS was attempting to impose itself on professional staff "whether they want to belong to TASS or not, and by threats and intimidation if necessary."

Mr. Lyons' remarks herald a new and bitter stage in the battle between TASS and the EMA over union representation of *senior managerial* and professional staff in the engineering and related industries.

The conference of the EMA's Shipbuilding and Allied Industries' Management Association, at which Mr. Lyons was speaking, voted in favour of joining the Confederation of Shipbuilding and Engineering Unions.

Any attempt by the EMA to enter the confederation, following British Shipbuilders' decision earlier this year to recognise the managers' association in spite of confederation opposition, would be guaranteed to meet violent resistance from TASS.

Mr. Lyons, admitted it was unusual for one union openly *to criticise another,* but said that the EMA was entitled to reply to attacks made at the recent TASS conference. He accused the TASS leadership of an "overwhelming arrogance in behaving as if they have a God-given right to represent engineers and managers who aren't their members, and to force people to join them when they cannot persuade them by argument."

He said it was "ludicrous" and a "blazing disgrace" that the TUC, the Advisory, Conciliation and Arbitration Service and the Engineering Employers' Federation should be pursuing policies to ensure that Britain's professional and managerial manpower should be required to join TASS if they wanted a union to represent them.

The EEF's position, said Mr. Lyons, was utterly cynical. "They hope that by keeping TASS as the main union for their senior staff, none of them will join and they will prevent these staff, who level for level are among the worst paid in British industry, from being represented altogether."

Salaries too low—TASS, Page 4

Euro-MPs to discuss expenses

BY GILES MERRITT IN BRUSSELS

A SPECIAL report on EEC Commissioners' expense accounts is likely to be among the first items considered by the directly elected European Parliament when it assembles in Strasbourg on July 17.

It is now being finalised by the European Court of Auditors, following a four-month investigation into the subject. The court is the EEC watchdog on internal financial matters.

Commission officials are already considering the political implications of a such a potentially controversial study being handed to the new assembly.

The report results directly from a row that erupted in January over allegations that Herr Wilhelm Haferkamp, External Relations Commissioner, had made extravagant use of his expense account.

It is understood that the Court of Auditor's report does not make recommendations for future control on commissioners' expenses. But the way it details the present position makes clear that there is no effective system for authorising or supervising either representational expenses or those incurred by commissioners travelling "en mission."

At the time of the furore — sparked by an article in The Economist criticising Herr Haferkamp — the Commission refused to divulge details of spending levels.

It also appeared that there were no guidelines concerning such expensive practices as the chartering by commissioners of air taxies.

Release of the Court of Auditors review may well lead to calls in the European Parliament for a supervisory system that would examine commissioners' expenses.

The report was requested by the former European Parliament and also received the backing of Mr. Roy Jenkins, President of the Commission.

Voters again shun direct elections

FINANCIAL TIMES REPORTER

AS THE voting in the first direct elections to the European Parliament drew to a close last night, it looked as though many of the 180m eligible voters had not bothered to go to the polls.

The signs were that the turnout in six of the nine countries would be well down on that for a national election.

Only in Luxembourg, where the direct election was being held alongside the national poll, and in Belgium and Italy, where voting is mandatory, did yesterday's turnout look as if it might rival the general election figure.

In Luxembourg, Mr. Gaston Thorn, the Prime Minister, conceded defeat in the general election and said that he would offer the resignation of his Centre-Left coalition.

A low turnout throughout the EEC would greatly disappoint committed Europeans, since it might undermine the authority of the Assembly, which is often presented in Brussels as an important extension of European democracy.

Even so, the indications were that the percentage of the electorate voting in all five countries that went to the polls yesterday would probably exceed the 32 per cent figure recorded by the British on Thursday.

With the Danes, the Dutch and the Irish also having already voted yesterday was the turn of the Italian, Belgian, French, West German and Luxembourg voters.

The highest turnout had been expected in Belgium, but early *figures suggested that it would* be less than the 87 per cent of last December, and that the Italians might get quite close to the Belgian turnout.

In West Germany, where opinion polls had suggested a turnout about 70 per cent, voting began slowly as the sunny weather proved a bigger attraction than the polls.

In the afternoon, however, the numbers picked up and by the time the stations closed, a fair proportion of the electorate seemed to have responded to their political leaders' increasingly urgent appeals to vote.

In France, too, voting began slowly. With five hours to go before the polls closed, slightly less than two-fifths of the electorate had voted. Reports from most regions indicated that voters' interest, dampened by poor weather, was consistently lower than in the national election last year.

CONTENTS

OVERSEAS NEWS

DC-10 crash investigation teams deploy across U.S.

Nine teams of investigators are being deployed across the U.S. to determine whether problems of design, manufacture or maintenance of the DC-10 may have contributed to the Chicago air disaster on May 25, when 273 people were killed, AP reports from Washington.

Mr. Jerome Doolittle, a Federal Aviation Administration (FAA) spokesman said four teams have been assigned to the eight airlines which fly DC-10s, with orders to study maintenance procedures.

Four other FAA teams will be working with McDonnell Douglas, which builds the DC-10, at the company's plant in Long Beach, California, he said.

A four-member team is already at work in Washington analysing the operation history of each aircraft in the DC-10 fleet.

Meanwhile three lawsuits stemming from the disaster have been filed in Los Angeles, including one seeking $810m.

In Tokyo, Japan Air Lines has cancelled 132 domestic and international flights which use DC-10s for one week, starting last Saturday.

Astles in Kampala jail

Maj. Bob Astles, the 60-year-old British-born adviser to Field Marshal Idi Amin, the former President of Uganda, was in a cell at Luzira Prison, near Kampala, yesterday, awaiting trial on a charge of murdering a Ugandan fisherman last year, our Nairobi correspondent writes. Hanging is the only penalty for murder in Uganda, and if Maj. Astles is convicted and hanged, he will be the first white man to be executed at Luzira Prison.

Ghana appointment

Ghana's new Revolutionary Council, which took power in a coup last Monday, has announced it is retaining the services of Maj.-Gen. Joshua Hamidu, formerly chief of defence staff on the old Supreme Military Council, Reuter reports from Accra. He would act as liaison officer between the Revolutionary Council and government officials. Earlier, the Revolutionary Council said the hand-over to civilian rule, planned for July 2, would be delayed by three months.

Volkswagen meeting

The International Metalworkers Federation has called a meeting of Volkswagenwerk AG workers' representatives from three continents to compare salaries and working, social and political conditions. AP-DJ reports from Geneva.

The meeting will be held from June 12 to 14 at Wolfsburg, West Germany, where VW has its headquarters.

Gehlen dies

The first post-war head of West Germany's secret service, Gen. Reinhard Gehlen, has died, Reuter reports from Munich.

The General, aged 77, died last night at his home on Lake Starnberg, near Munich. He had cancer of the prostate gland, and was released from hospital only three months ago.

Filipino car ban

Cars of six and eight cylinders have been banned from Filipino roads at weekends from yesterday, to save fuel and foreign exchange, Reuter reports from Manila. Such cars would be impounded if drivers ignored the restriction, the Energy Minister said. The order exempted tourist vehicles, diplomatic cars and some service vehicles.

Chad fighting

Rival factions of the coalition of guerrillas controlling Chad's capital, N'Djamena fought in the streets of the city for more than four hours on Friday night, and police said they had counted several dead and wounded, AP reports from N'Djamena. A Nigerian peace-keeping force was withdrawn *last week*, after the N'Djamena authorities accused Nigeria of imposing an economic blockade on Chad.

Rush expected on Iran banks

BY ANDREW WHITLEY IN TEHRAN

A RUSH on Iran's bank branches is expected today, when the newly nationalised banks open their doors for the first time after a three-day break.

Following Friday's surprise announcement, Government Ministers, including the Prime Minister, have been at pains to reassure the public that their savings are safe. But most bankers nevertheless expect an initial rush to withdraw deposits as well as the possibility of temporary controls being imposed.

A commentary on the State radio described the takeover as "one of the most revolutionary steps taken by the Government to cut the hands of imperialism and its representatives."

Meanwhile, the Government has also told foreign shareholders in the joint venture banks affected, that they will be compensated.

Their initial investment is to be returned and an additional sum paid in respect of their share in the banks' current assets.

Details of the compensation scheme are still very sketchy, but according to Mr. Mohammed Ali Mowlavi, the Central Bank Governor, foreign and Iranian shareholders are to be treated on the same basis.

He confirmed that once the management take-over had been implemented there would be no place for foreign bankers in the commercial system.

Meanwhile, Mr Akbar Ali Moinfar, a head of the Plan and Budget Organisation, has said certain banks involved in similar activities would be merged in the interest of economy. Specialist development banks would not be affected.

Rumours in banking circles are that the timing of the nationalisation measure was intended to forestall the imminent bankruptcy of three banks, including one with a significant British interest.

The brief text of the nationalisation decree, published in the Press on Saturday, said that one purpose was to introduce Islamic principles. Another was to control the banks' previously very high profits and discourage the illegal export of money.

According to Mr. Reza Sadr, the Commerce Minister, the nationalised banks would control the growth of industry more effectively, promoting investment in areas where it was needed.

Officials have cautioned against expecting any immediate reduction in interest rates, accordance with the Koranic injunction to eliminate such charges.

Coinciding with the bank nationalisation measure, the Government is launching a drive to persuade industrialists who had fled abroad to return to Iran.

● A top level delegation from the National Iranian Oil Company (NIOC), arrives in London today for discussions with the Western oil consortium formerly operating in Iran, Iranian Oil Participants.

The meeting will be the first between NIOC and the consortium since the revolution and the take-over of its production operations in South West Iran. NIOC has repeatedly declared it will have no further commercial dealings with the consortium as a group, but both sides have many outstanding matters to resolve before legalising the break.

The delegation is to discuss the take-over of the equipment and materials purchasing functions previously handled by a consortium subsidiary. Among the other issues likely to be raised are the two sides' mutual debts and NIOC's continuing interest in the direct hire of some 20 to 30 key oil technicians.

Time of decision for Basques

BY DAVID GARDNER IN MADRID

THE BASQUE problem, the most intractable issue facing Spain, has entered a decisive phase, with the weekend meeting between the Government and leaders of the ruling Union de Centro Democratico (UCD), and the Government's disqualification by decree of the newly elected President of the semi-autonomous Basque General Council, Sr. Carlos Garaicoetxea.

Sr. Adolfo Suarez, the Prime Minister, had an eight-hour meeting on Saturday with ministers and leaders of the four main factions inside the governing party to examine the draft statute of autonomy presented in Parliament last year by Basque MPs. It was decided to accept the draft as a "working outline," although members of the ruling party indicated that nearly 20 articles in the Basque document were marked as conflicting with the new constitution approved last December.

Meanwhile in Guernica, the Basque country's spiritual capital, the new members of the Basque General Council (CGV) unanimously elected Sr. Carlos Garaicoetxea as president. Sr. Garaicoetxea is president of the mainstream Partido Nacionalista Vasco (PNV), the party which won most Basque votes in the recent general and municipal elections.

The Nationalist Party's decision that its main leader should stand for the General Council presidency has been interpreted as an attempt to bolster an institution which until now has been powerless and discredited, until autonomy is formally established later in the year.

But just after Sr. Garaicoetxea took office, news arrived of a Government decree which disqualifies him for the post. The decree, published on Saturday, states that no one may hold office in a "pre-autonomous institution" simultaneously with an official post in a province outside the territory covered by that institution.

Sr. Garaicoetxea is from Pamplona, and is an MP in the autonomous Parliament of the disputed Basque province of Navarre. Basque Socialist leaders described the measure as "a vulgar trick," while a Nationalist Party spokesman warned that they would ignore it.

The Government's attitude is at odds with Basque leaders of the Centre Democratic Union, who voted for Sr. Garaicoetxea and regard the draft statute of autonomy as the last chance for a peaceful solution to the Basque problem.

This view is shared by all the major Basque parties, except Herri Batasuna, the radical nationalist coalition which came second in the municipal elections, and is supported by the guerrillas of ETA-Militar.

European chemicals growth forecast

By John Wicks

THE WEST European chemical industry should experience growth by some 4 to 5 per cent this year, according to the European Council of Chemical Manufacturers' Federations (CEFIC).

In 1978, turnover of the industry within the European Community had risen from $117.9bn (£56bn) to $138.3bn (£66bn), it was disclosed at the council's annual meeting in this northern Norwegian town. But in terms of local currencies, expansion was substantially below this owing to the weakening of the dollar exchange rate.

The industry is now faced with considerable problems as a result of the present tightness in the crude oil and oil products market.

A statement from the meeting indicates that this development, which has led to a doubling of the contract price for naphtha, could lead to a feedstock cost increase of more than $2bn for West European chemical undertakings in 1979. CEFIC stresses that a "safe supply at reasonable prices" of naphtha is vital for the industry and calls for the abolition of duties and levies.

At present, some 40 per cent of the 101m tons of naphtha consumed annually within the EEC is accounted for by the chemical sector, the remainder being used for petrol.

The council feels the chemical industry may have difficulty in receiving political support "because the effects of petrol rationing are immediate and unattractive to the electorate, whereas a shortage of chemical feedstock takes longer to have its *effect on the consuming* public."

Sir Ray Pennock, deputy chairman of ICI and deputy president of CEFIC, said that apart from these shortages, West European producers — particularly of petrochemicals — were in *for a rough time from* a growth in exports from the U.S.

Competition, he said, was growing in the field of chemical-based products as well it in downstream chemicals themselves. This looked likely to become worse in the light of *the U.S. oil policy, balance-of-payments* considerations, failing American confidence in the home market and, further, the cheap dollar.

There was reason to suspect, said Sir Ray, that customers of the chemical industry would build up stocks as a result of rising oil and naphtha prices. As yet, however, there was no evidence that this was taking place other than in the special case of synthetic fibres.

An increase had been recorded in demand for downstream *petrochemicals but this* had been due largely to the hard winter conditions and such factors as strikes in the UK.

Muzorewa confident on sanctions

BY TONY HAWKINS IN SALISBURY

DESCRIBING THE refusal by President Carter to lift economic sanctions against Zimbabwe Rhodesia as a purely "temporary" setback, Bishop Abel Muzorewa said this weekend he was confident that the U.S. Congress would "redress the situation." The Bishop issued a detailed statement replying point by point to President Carter's criticisms of the new government and the 1979 constitution. In his statement, the Bishop said that in terms of the Case-Javits amendment, two preconditions had to be met before President Carter could lift sanctions. These were free and fair elections and a willingness on the part of Salisbury to attend all-party talks on the future of the country.

Salisbury insists that both preconditions have been met.

Officials here are not unduly dismayed at the Carter decision which was largely expected. There are three reasons why confidence remains high here about the future of sanctions. First, officials in Salisbury believe Congress will soon force President Carter's hand. Secondly, the fast-deteriorating Zambian economic situation is likely to mean that Zambia will seek a re-opening of the road link between Zimbabwe Rhodesia and Lusaka at Chirundu. Bishop Muzorewa is being urged by at least some of his advisers to tell Mr. Kenneth Kaunda, the Zambian President, that co-operation is a two-way business warning him that if he wants food via Zimbabwe Rhodesia he must take effective steps to curb the infiltration of Nkomo guerrillas into this country. Finally, Salisbury does not believe that the Conservative Government in London will reimpose economic sanctions in November.

New W. Bank settlements plan

BY DAVID LENNON IN TEL AVIV

WORK IS to begin in the next fortnight on two new Jewish settlements on the occupied West Bank, it was revealed yesterday. This became known even as Israelis and Palestinians demonstrated separately against a settlement which was started last week beside Nablus, the West Bank's largest town.

Thousands of Israelis, members of the Peace Now movement, demonstrated beside the settlement of Eilon Moreh, which was created in a lightning operation last Thursday. More than 100 of the protestors stayed overnight after Saturday's demonstration to prevent earth moving equipment from being brought to the hilltop site yesterday.

They sang peace songs and condemned the settlement as likely to hamper the current negotiations on the future of *the West Bank and Gaza Strip.*

Mr. Ezer Weizman, the Defence Minister, who visited the site yesterday, told the Peace Now people that the Government's decision was final.

At *the same time, the army* had declared Nablus a closed military area after a commercial, municipal and schools strike was declared by the Palestinians.

Meanwhile, the joint Government-Jewish Agency settlement committee decided to build temporary housing units at Eilon Moreh as well as beginning work on 300 permanent units. Some I£50m were allocated for the first stage of this work.

Egypt angry over land seizure

BY ROGER MATTHEWS IN CAIRO

EGYPT'S DISMAY at recent Israeli action on the occupied West Bank and the Gaza Strip is expected to surface today when negotiations resume in Alexandria on Palestinian autonomy.

Although the three sessions of talks spread over two days are expected to be mainly procedural, the Egyptian team will emphasise that the Israeli decision to sequester privately-owned Arab land to build a new Jewish settlement near the main West Bank town of Nablus will make a solution to the Palestinian issue still more difficult.

Some *Egyptian officials* believe that in fact this is the aim of a large faction within the Israeli cabinet which is anxious that no Palestinians should be tempted to participate in the talks. It is also pointed out here that in *response to pleas from President* Anwar Sadat, the Israelis have only seen fit to release 16 Arab prisoners.

Somoza offensive gains ground

BY WILLIAM CHISLETT IN MANAGUA

THE COUNTER OFFENSIVE launched by General Somoza, *President of Nicaragua*, against strongholds held by guerrillas fighting to overthrow his regime is gaining ground. The southern part of the country on the Pacific Coast near the Costa Rican border fell over the weekend after 12 days' heavy fighting.

The left wing guerrillas aimed to establish a "liberated zone" in this area and then seek international recognition. The Government therefore regards its fall as an important military and political victory.

Several *journalists, including* this correspondent, were flown to the area in National Guard helicopters and clearly it is in Government hands.

The outcome of similar moves against other strongholds in the north and the town of Masaya, only about 20 miles from the capital is not so certain. Fighting has also not died down in the *poor parts of the capital* after the nightly curfew.

The Foreign Ministers of Venezuela and Ecuador are expected to arrive in Managua soon as representatives of the Andean pact, an alliance of six Latin American countries, to try to find a peaceful solution.

We saw the bodies of six youths, whom the Guard claimed were Sandinista guerrillas, only a matter of yards away from the frontier

Major Bravo; the nom de guerre of the commander *of the southern* region, claimed that 126 guerrillas died in the fighting and only eight soldiers. This latter figure differed considerably from official reports in Managua that 200 troops have been killed or wounded in the last week.

Many guerrillas escaped over the border into Costa Rica where they have had training camps.

About 500 troops, said the major, were concentrated in the area and would stay there to mop up any pockets of resistence and keep a close watch on the border.

The guard used two patrol boats each equipped with four 50-calibre machine guns to pound the guerrilla camps. Several of the Guardsmen used in this fight were teenagers. One of them, aged 14, told me that he was paid 800 cordobas (about £40) a month.

Before landing at the camps we stopped at the harbour of San Juan del Sur where workers were loading sugar into boats bound for Philadelphia. Several men said they earned about 500 cordobas a month (about £25). The sugar company is owned by the Somoza family.

AP reports from Lima: Leftist representative Sr Hugo Blanco was freed this weekend through negotiations by his colleagues in the constitutional assembly after he was held for 31 hours on charges of labour agitation.

Sr. Blanco, a member of the leftist coalition, called the workers, *Campesino* (Farmer), Student and Popular Front, was said to have been seized by 14 federal agents at the airport in the southern town of Arequipa.

Agents of the state security force handed Sr. Blanco over to Sr. Luis Alberto Sanchez, Provisional Chairman of the Constitutional Assembly, who immediately ordered Sr. Blanco's release.

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Wool textile shift worries industry chiefs in Europe

BY RHYS DAVID

GNS OF AN increasing shift world wool textile produc- on away from its traditional ntres in the northern hemi- here to new producers in the veloping world and Comecon, e now beginning to concern iropean leaders of the dustry.

The shift has taken longer get under way than in cotton xtiles, which for many veloping countries have presented a means of using digenous raw materials and of othing their own population. a number of countries. But the field of wool textiles now becoming firmly estab- hed as an exporting industry, ese include Algeria, Morocco, geria and Kenya, which pro- ce wool in limited quantities d which are climatically suited for wool garments emselves.

The movement in production represented one of the major themes at the 50th anniversary conference in London last week of the International Wool Textile Organisation. This is the forum in which the predominantly northern manufacturing countries meet to discuss problems with each other and with the grower countries in the southern hemisphere — Australia, New Zealand, South Africa and South America.

IWTO's response has been to try and draw into membership some of the newer producers to ensure that the organisation remains fully representative of the world industry. In recent years, its leading members in Europe and Japan have already found themselves overhauled by Russia, which is itself developing a very large wool textile industry, as the leading buyer of Australian and New Zealand wool.

Under IWTO rules, state-planned countries are not eligible for membership.

The organisation's president, Mr. Michael Roberts, of Illingworth, Morris, the Bradford-based producer, reported that efforts had been made in the past year to enlist, among others, Iran, Greece, Hong Kong and Taiwan. But problems had been encountered in finding sufficiently representative bodies in some of these countries.

Approaches would also be made to other countries in Africa and South America which were now developing substantial industries.

Extension of membership to embrace new producers is also seen as a way of developing the contacts needed for discussing the international trading problems which their export growth is beginning to cause.

French to start viewdata trials

BY MAX WILKINSON

IOMSON CSF has won the ntract for setting up an perimental French version of ewdata, the system which ows television sets to display mputerised information tained via the telephone network.

The French are using the neral term Videotex which ey are subdividing into letel for the system in which a is transferred by telephone re and Antiope for a similar tem in which the data is oadcast alongside programmes in the normal annels.

In the UK, the telephone ed service is called generally viewdata and the Post ice's particular version is led Prestel. The UK Broadcast versions are called Telet.

The confusion of terms is a nptom of a strong international competition between French and British systems ascendancy. The British tem, which has a two to ee year lead, has been pted as the basis for trials Germany, Holland, Hongg and most recently by ieral Telephone Electronics the U.S. The French system based on a different screen nat and therefore requires erent circuits in the teleon sets.

The French trial service is to start late in 1980 in the town of Velizy, south west of Paris. *A network of a few thousand* terminals will be used to communicate with a computer which will store information including timetables, entertainment guides and lists of duty doctors.

In Britain, the Post Office has started a limited public service in London for residential users, but expansion of the service has been *held up while television* set manufacturers develop the specially adapted sets which are needed to receive the new electronic publishing service. It is not expected to be widely available until the latter part of this year.

Ericsson S. America deals

BY WILLIAM DULLFORCE IN STOCKHOLM

L. M. ERICSSON, the Swedish telecommunications group, has won a $30m "break-through" order for telephone equipment in Argentina and a $17m order from Mexico for its new AXE telephone exchanges.

The Argentine order, placed by Entel, the telecommunications administration, covers the delivery and installation of eight large transit exchanges of Ericsson's computer-controlled cross-bar ARE 13 type. They will be part of the country's long distance telephone network.

Entel has previously been supplied by ITT and Siemens, both of whom have manufacturing facilities in the country. Ericsson operates two local exchange systems for provincial cities but has been trying for some 30 years to break into the national market.

It is now offering its new AXE system, which has beaten the opposition in winning major orders in Saudi Arabia and Australia, in another big battle for computerised local exchange systems in Argentina.

AXE exchanges make up the main part of the Mexican order, which has been placed by Telmor, the telecommunications administration of Baja California Norte State. It also includes substantial amounts of transmission equipment and telephone instruments.

Hong Kong power plant underwriter selected

By Eric Short

JARDINE MATHESON, in its capacity as insurance brokers to the Hong Kong power station project, has selected the Sun Alliance Insurance Group to be the principal underwriter for the second stage of the project. This follows the selection of Sun Alliance's subsidiary, the National Vulcan Engineering Insurance Group, as lead underwriter for the main project.

The second stage involves the installation of the transmisison lines, mainly overground. The insurance will be contractor's all risks involved in connection with the installation. This stage of the project is valued at HK$998m (£100m), while the main project is valued at £295m. The project is scheduled for completion in 1986.

National Vulcan is a leader in the field of engineering and allied risks insurance. The company together with the other Sun Alliance involvement will take a substantial share of the risk.

Japan Minister to visit Mexico

NATIONAL Trade and Industry Minister, Mr. Masumi Esaki, plans to visit Mexico next month to discuss trade and economic issues.

Mr. Esaki will meet President Jose Lopez Portillo and other Mexican leaders. The talks are expected to include possible Japanese oil imports.

The Japanese Minister also plans to visit Middle East countries in the next few months, including Saudi Arabia and Kuwait.

Meanwhile Sony has announced that its wholly owned subsidiary, Sony Magnetic Products, has established a subsidiary in Mexico to produce cassette tapes.

A spokesman said the new company, Magneticos de Mexico, will be set up in Nuevo Laredo and will turn out about 1.2m cassette tapes a month, mainly for the U.S. market, but eventually to other markets as well.

Initial production will start next spring and the company, capitalised at Pesos 300,000, will go into full operation in the summer employing about 100 workers.

Agencies

AQABA PORT EXPANSION

Bid to boost Arab share of shipping

BY RAMI G. KHOURI IN AMMAN

AQABA PORT, Jordan's sole *outlet to the sea, will soon have* more than double the capacity required to handle the country's imports. It is thus planning to become an international transit port between Europe, the Arab World and the Far East.

In doing so it represents the beginning of a movement in the Arab world to provide more business for Arab shipping fleets and overland transport companies, at the expense of business to foreign carriers.

A series of internal management changes, the completion of a ten-berth expansion project, the increasing use of containers and the planned construction of a permanent new container port will all combine to give Aqaba a handling capacity of 4.5m tons per year by the end of 1980.

This compares with its present capacity to handle 2m tons of imports per year. Last year the port offloaded 1.5m tons of cargo, 12 per cent of which was transit traffic destined primarily for Iraq and Saudi Arabia.

With Jordan's own imports expected to peak at 1.6m tons of cargo by 1985, this means the *port at Aqaba will have excess* capacity of no less than 3m tons per year. A good deal of this will come from the construction of the permanent container port to replace two existing floating berths that were rushed into place two years ago at the height of the port congestion which routinely saw 40 ships waiting to berth.

The $10m container port project is now being studied by consultants Randall, Palmer and Tritton. The new facility is expected to be ready for use by the end of next year, Mr. Ahmad Fawzi Abu Nuwar, Aqaba Ports Corporation director general told the Financial Times in Aqaba last week. It will be financed totally from the port's own budget, and will have a capacity of 1m tons per year.

The container port will be able to take 300 metre long third generation container vessels, and will be designed to be expandable to handle fourth generation container ships.

To make sure that the new facility, and the expanded main port's new general cargo and ro-ro berths are all put to use, Jordanian officials have already contacted some of the leading *international shipping companies* which operate scheduled container lines between Europe and the Far East.

Capitalising on Aqaba's location approximately half way on this route, Mr. Abu Nuwar is offering Aqaba as a transit port for container traffic between Europe and the Far East. Eastbound vessels would drop off their containers at Aqaba and return to Europe carrying containers brought to Aqaba on ships coming from the Far East. Far Eastern ships, meanwhile, would pick up containers at Aqaba and take them back home to their home ports in Japan or Korea or wherever.

This means a ship from Tokyo could make a round-trip to Aqaba and return home with its goods in three weeks, instead of the six weeks it now takes to make the trip all the way to Europe.

Until this plan materialises, the Jordanians are increasing their role as a transit centre for goods imported by neighbouring Iraq and Saudi Arabia. Transit traffic for Iraq passing through Aqaba will rise from 300,000 to nearly 700,000 tons next year, with another 200,000 *tons of goods moving through* Aqaba for northern Saudi Arabian destinations.

This will be encouraged on a wider scale by a new drive by the recently established Arab Shipping Federation to have goods destined for Arab clients carried by Arab-owned transport companies.

It is thought that only about 2 per cent of all Arab imports are now carried on Arab ships. A new system being studied by Arab shipping, railway and overland haulage federations would have cargo moving from, say, Liverpool to Baghdad travelling on a foreign ship only as far as Aqaba, where it would be offloaded and sent by lorry overland to Baghdad.

This would cut down the sea travel time, provide more business to Arab overland transport companies, and reduce total transport time and cost.

The same system would work for Westbound cargo. Goods coming from Tokyo to Damascus would offload at a Gulf port, and be sent by train or lorry to Syria, instead of having a foreign ship make the long trip around the Arabian peninsula.

SHIPPING REPORT

Gulf trading activity falls off

BY LYNTON McLAIN

TANKER TRADING activity out of the Gulf was less active last week than had been forecast.

The immediate prospects for a resumption of active trading *to the levels of the previous* week are not good, brokers said in London at the weekend.

The high cost of bunker fuel for tanker operations contributed to the owners difficulties. The absence of growth in demand for tankers last week kept freight rates relatively low compared with the rate of increase in fuel costs.

Iran stipulated that vessels loading crude oil should also take their bunker needs in a ratio equivalent to 2.8 per cent of the cargo. This also had the effect of cutting margins for owners.

Demand for the larger tankers operating from the Middle East was at a lower level than the previous week and rates fell. *Charterers sought to cut the* levels below Worldscale 40 for very large crude carriers.

Meanwhile a smaller, 145,000 deadweight ton tanker gained Worldscale 63 from U.S. independent charterers.

There was active trading from Indonesia, on behalf of Japanese charterers. In the Mediterranean, rates were maintained and improved by the end of the week.

Trading in the Caribbean moved ahead later in the week, with a 40,000 ton vessel obtaining Worldscale 220/240.

In the dry cargo markets, brokers reported quiet trading on the Atlantic, with lower levels than in previous weeks. But trading in the Far East has continued a gradual improvement and rates are expected to continue at current levels.

World Economic Indicators

INDUSTRIAL PRODUCTION

					% Change over previous year	Index base year
	April '79	Mar. '79	Feb. '79	April '78		
W. Germany	130.2	122.2	115.8	120.9	+ 7.7	1970=100
Japan	129.3	128.7	128.8	122.0	+ 6.0	1975=100
U.S.	150.5	152.2	151.0	136.4	+10.3	1967=100
	Mar. '79	Feb. '79	Jan. '79	Mar. '78		
UK	111.5	110.4	102.6	106.8	+ 4.4	1975=100
Netherlands	119.0	118.0	117.0	119.0	0.0	1970=100
Italy	144.0	131.1	130.9	131.9	+ 9.2	1970=100
	Feb. '79	Jan. '79	Dec. '78	Feb. '78		
France	130.0	132.0	132.0	127.0	+ 2.0	1970=100
	Jan. '79	Dec. '78	Mar. '78	Jan. '78		
Belgium	97.4	114.3	125.3	104.6	− 9.0	1970=100

Biscuits group diversifies in Indian market

By Colleen Toomey

ASSOCIATED Biscuit Manufacturers is hoping to invest over £4.5m in India through its associate company, Britannia, to begin manufacturing soya and dye chemical products.

The two ventures are seen as an attempt by Britannia to diversify from its major revenue earner, bread and biscuits, which in India has a 50 per cent share of the big producers' market.

The investment in a new soya factory and more particularly with chemical manufacture, could enable Britannia to further increase its food manufacturing operations on a quid pro quo arrangement presently held back by an official capacity rationing system.

Within the next year Britannia intends to build a 78,000 sq ft factory on a 25-acre site to process soya protein.

The second project is being undertaken jointly with an Indian chemical company to build a 25,000 sq ft factory.

Cabinet blocks bid to rescue tin mine

BY HAZEL DUFFY AND PAUL CHEESEWRIGHT

PLANS put forward by Rio Tinto-Zinc, the London mining house, to the Department of Industry for the rescue of the failed Wheal Jane tin mine near Truro, Cornwall, have fallen foul of the Government's policy for reducing financial aid to industry.

Although both RTZ and the Department formally stated over the weekend that discussions on Government financial participation in Wheal Jane are continuing, RTZ's original proposals for the future of the mine have been turned down at Cabinet committee level.

The present discussions are believed to involve a set of revised proposals. The fact that Government funds are still meeting the costs of keeping the mine dry indicates that the door has not been closed on some form of Government assistance.

But the Government's reluctance to become involved, which goes against an Industrial Development Advisory Board recommendation made before the election, reflects the political difficulty of advancing money on such a project so soon after the Government has pledged publicly to cut back on industrial aid.

The Department of Industry has, in fact, already spent about £900,000 on pumping at Wheal Jane since Consolidated Gold Fields, the present owner, decided to close the mine in May, 1978. The money has been spent on the assumption that it would be possible to negotiate a rescue plan with a mining company.

Had the Government acceded to RTZ's original proposals, it would have been liable for a further £2.8m-£3m. RTZ has evolved a package costing £5.3m-£6m. It sought a Government loan for half this sum under Section Seven of the 1972 Industry Act.

The package would have involved the purchase of the property and a detailed exploration programme, costing perhaps £1.5m, to decide whether the mine was worth re-opening. In the event of a decision to go to production, development costs would have accounted for the balance.

RTZ became involved with Wheal Jane earlier this year when Mr. Robert J. Sprinkel, an American entrepreneur now living in Derbyshire, won its support for a rescue package.

Mason wants policy review

BY OUR LOBBY STAFF

AS THE Labour party yesterday began to digest the implications of a second major defeat at the polls, Mr. Roy Mason, the former Labour Cabinet Minister and a right-wing contender in this week's election for the Shadow Cabinet, called for a fundamental review of the party's policy-making procedures before the next General Election.

As things were organised at the moment, he implied, neither the annual conference, whose decisions the left likes to regard as Holy Writ, nor the party's executive, which it elects, properly reflected the views of traditional Labour supporters.

Taking up a theme which is likely to become increasingly familiar among Labour moderates as the annual conference approaches, Mr. Mason urged trade union leaders to adopt a more active role in helping to sort out the party's internal problems.

What was needed, he said, were conference votes that expressed the real political aspirations of trade union members.

In sharp contrast to some left-wingers, who have blamed Labour's defeat on its failure to abide by conference decisions in Government, Mr. Mason said it was nonsense to believe working class voters had supported Mrs. Thatcher because the Labour party policies were not firmly based on left-wing dogma.

In his analysis of Labour's failure, Mr. Mason thanked the unions for the practical help given to the party "on an unprecedented scale" in the election. But he said the help came too late to counter-balance the party's weak political starting position. The trade unions, as much as the party itself, needed to look at its own share of responsibility for this weakness.

Mr. Mason's comments, made in the Labour/Trade Union Press Service, came as the jockeying for the 12 elected positions in the "shadow" Cabinet entered its final week. Mr. Mason, as one of nine former Ministers officially supported by the Right-wing Manifesto group of MPs, is expected to be elected to the "shadow" team. Like the other possible contenders for the leadership, he will want to appear near the top of the list.

Because of the uncertainty as to when Mr. Callaghan will step down, and the sometimes complex tactics MPs use when electing "shadow" Ministers, Thursday's results of the "shadow" Cabinet poll cannot be directly interpreted in terms of the leadership stakes. Nevertheless, failure to be elected in Opposition would be a pretty damaging blow to any former Minister with leadership aspirations.

Together with the nine Manifesto nominees, three other former Ministers have been nominated by the Left-wing Tribune Group. Mr. Peter Shore is expected to attract wide support from all shades of opinion within the party.

Since only 12 places are vacant, some former Ministers will inevitably be disappointed. Mr. Anthony Wedgwood Benn has already said he will not stand, along with Mr. Joel Barnett, Mr. *Harold Lever, and* Mr. David Ennals. But others, like Mr. Fred Mulley, are standing for election without the formal support of either the Tribune Group or the Manifesto Group, or the personal following of Mr. Shore.

Dunlop urged to adapt tyre plant

BY OUR LABOUR EDITOR

DUNLOP'S TRADE unions hope to persuade the company to seek new markets, in an attempt to re-open the Speke tyre plant, Merseyside, which closed in April.

Two suggestions are that Dunlop should build reinforced rubber crash barriers for *motorways, and* that it should make covers for football pitches.

Plans drawn up by the unions, led by the Transport and General Workers' Union, will be submitted to a joint management union working party later this *month*.

Mr. John Miller, the TGWU national secretary responsible for the rubber industry, said the unions saw a market for rubber motorway barriers because of the high cost of steel. He also *said* there was considerable interest among soccer clubs for pitch covers.

The unions hoped to persuade the company to retain the 158 workers who refused redundancy pay and to provide new work for some of the 2,300 people who lost their jobs.

The 158 were kept on for another six months, and it was hoped to find them work in the sports and belting plants at Speke.

Mr. Miller said the equipment in the former tyre-making plant could be adapted to other products.

Speke's closure, which was resisted with demonstrations and appeals for international union support, was part of the general retrenchment of the tyre industry in Britain and Europe.

BP to start Yellow Sea survey

BY COLLEEN TOOMEY

BRITISH PETROLEUM will start offshore exploration work in the southern area of the Yellow Sea.

An agreement specifying *seismic survey details* was signed in Peking last week by Dr. Jack Birks, a senior BP director, and the Chinese Petroleum Corporation.

Preparation work to survey the 30,000-sq-km area has already begun following an agreement of intent signed in February by Sir David Steel, BP chairman, and Mr. Zhang Wen-Bin, chairman of the corporation.

The agreement allows a survey of a previously unexplored area. *EP began negotiations* with China less than two years ago on possible co-operation in various activities, including petrochemicals and oil and gas exploration and production.

BP hopes for a co-operative deal if the survey, to be completed in October, provides positive results.

China is seeking a rapid expansion of its oil production. Most of the potential for development lies offshore on its vast continental shelf. Several other oil companies, including Elf-Aquitaine, Phillips Petroleum, Atlantic Richfield and Total, have already signed co-operation deals with China. Japan has won an exclusive agreement to explore and develop oil resources in a 20,000 sq km area of Pohai Bay.

Currys to rent TV in video market battle

BY MAX WILKINSON

CURRYS, THE UK *electrical* retailer, is to enter the television rental market later this year. Its main purpose appears to be to protect its flank in the coming battle between rental and retail chains in the new market for high-priced video equipment.

This market includes: video cassette tape recorders, television cameras for home use, home computers and, in the near future, video disc players.

Renting popular

These new products are coming into the shops at prices *generally between £500 and £1,000*, which tend to make them more attractive for rental rather than outright *sale*.

The established rental chains which have for some time been *expecting a shift towards* purchase of colour television sets have been watching eagerly for new market opportunities in the home electronics sector.

It is estimated, for example, that a large majority of the video-cassette recorders placed in the UK market last year were rented rather than sold.

The television rental market is at present dominated by five large chains, of which Thorn has much the largest share.

In their report on the industry, Buckmaster and Moore say that technological developments are likely to make the present generation of television receivers obsolete during the next decade. New, higher priced products in the 1980s, they say, will give rental companies *opportunities to grow, though* very large investments will be needed.

UK CAR REGISTRATIONS

	May				Five months ended May			
	1979	%	1978	%	1979	%	1978	%
Total UK produced	83,627	43.27	68,067	51.83	371,535	44.70	391,673	53.19
Total UK imported†	109,642	56.73	63,263	48.17	459,623	55.30	344,654	46.81
Total Market	193,259	100.00	131,330	100.00	831,158	100.00	736,327	100.00
Ford*	59,221	30.64	35,429	26.98	240,368	28.92	201,173	27.32
BL—Austin Morris	28,363		21,944		134,162		135,895	
Jaguar Rover Triumph	7,165		7,039		35,743		37,945	
Total BL*	35,528	18.38	28,983	22.07	169,905	20.44	173,640	23.41
PSA—Chrysler	14,740	7.63	9,175	6.99	62,821	7.56	49,034	6.66
Citroen	3,048	1.58	2,748	2.09	15,522	1.87	12,980	1.76
Peugeot	5,009	2.59	2,391	1.82	18,550	2.23	11,337	1.54
Total PSA	22,797	11.80	14,314	10.90	96,893	11.66	73,351	9.96
GM—Vauxhall*	12,847		11,836		55,954		59,893	
Opel	3,362		1,890		13,427		8,528	
Other GM	174		69		533		356	
Total GM	16,383	8.48	13,795	10.50	69,914	8.41	68,777	9.34
Renault	10,371	5.37	4,757	3.62	46,100	5.55	31,707	4.31
Datsun	10,691	5.53	7,554	5.75	44,354	5.34	49,631	6.74
VW/Audi	8,102	4.19	5,723	4.36	33,050	3.98	26,406	3.59
Fiat	6,014	3.11	5,670	4.32	31,927	3.84	30,892	4.20

* Includes cars from companies' continental associates which are not included in the total UK figures

† Includes imports from all sources, including cars from continental associates of UK companies

Source: SMMT

Printers to challenge mail costs

By Max Wilkinson

THE British Printing Industries Federation is to protest against what it describes as "excessive and uneven" postage increases, which the Post Office intends to introduce soon.

The Federation believes that the increases are larger than the Post Office needs and it says that previous increases in June 1977, intended to achieve a profit of £28m, produced £40m *profit in 1977-78.*

The federation is particularly concerned about the proposed *increase in the rate for overseas* printed papers.

"The average weighted *increases* of 30 per cent (full rate) and 26 per cent (reduced rate) far outstrip inflation," it says.

"British printers are losing orders to produce journals with *an international circulation*, solely because cheaper postal rates prevail in other countries, notably Ireland and Holland.

"These countries, and the U.S., encourage exports of *printed matter*, but the British Post Office appears to be fixing its charges without reference to the wider questions of exports and the national interest."

Technicians' salaries still too low, says TASS

BY ALAN PIKE, LABOUR CORRESPONDENT

SALARIES OF technicians and technologists in the engineering industry increased by 14.3 per cent during 1978, says the annual staff salary census published today by TASS, the *white-collar section of the* Amalgamated Union of Engineering Workers.

The union argues in the introduction to the census that this level of pay increase exceeded the 9.3 per cent rise in the Retail Price Index between January, 1978, and January, 1979, but did little to *restore the loss in living* standards suffered by engineering staff during recent pay policies.

"If sufficient candidates of calibre are to be attracted into the staff areas in engineering and allied industries in the UK, then very considerable adjustments will have to be made in *the level of salaries being paid.*

"Attention will also require to be given to ensuring that *there is an adequate level of* differential for skill and responsibility exercised by staffs within the industry.

"Many of the difficulties faced by the engineering and allied industries can be traced back to the inadequate level of salaries being paid."

The census shows that the pay of women clerical staff, which rose by 12.2 per cent, grew less rapidly than men's at 15.2 per cent. This, says TASS, makes it quite clear that there is a "very considerable gap to be closed before equal pay becomes a *reality.*"

TASS also published yesterday an employees guide on how *to patent inventions under the* 1977 Patents Act.

"The important developments in the law are the right to compensation and the statutory backing given to collective agreements between independent recognised trade unions and employers to determine the level of compensation," said Mr. *Ken Gill, general secretary.*

Teachers fears grow over education spending cuts

BY OUR LABOUR CORRESPONDENT

THE National Union of Teachers is telling its 104 divisions to seek urgent meetings with local education authorities in the light of the Government's *call to councils to review* manpower requirements and freeze recruitment where possible.

"Inadequate supply teacher provision, oversized classes and high teacher unemployment are already areas of grave concern for the NUT," said Mr. Fred Jarvis, general secretary. "Cuts in the education budget can only exacerbate these problems to the detriment of the nation's children."

Lcal divisions are being told to impress on councillors that *cuts in teaching staff or a freeze* on teacher recruitment would be a great danger to the education service. Union policy is to achieve major improvements in the service by September, 1980, including a maximum of 30 *pupils in primary and secondary* classes and 27 in infant reception classes.

The union says it is actively trying to reduce class sizes in up to 1,000 English and Welsh schools. Staff in these schools are either refusing to teach oversized classes or to cover for colleagues absent for more than one day.

Reaction to the Government's plans to hold down local government jobs is also expected to be the dominant issue at the National and Local Government *Officers' Association conference* in Blackpool this week.

British and U.S. banks decline in world league

BY WILLIAM HALL

JAPANESE banks outnumber American for the first time in the world's banking league tables. Last year the Japanese grew spectacularly quickly in dollar terms because of the strength of the yen. And there are now 58 Japanese banks compared with 56 U.S. among the 300 biggest banks.

According to a survey of the top 300 appearing in the June issue of The Banker magazine, the top ten Japanese grew by 58 per cent in dollar terms during 1978. However, this was *to a large extent due to the* 19 per cent appreciation of the yen last year. In yen terms the top ten Japanese banks grew by only 12.6 per cent.

The world's biggest continues to be Bank America Corporation, with assets less contra accounts of $92bn. But Citicorp has been dislodged from the number two slot by Crédit Agricole, from France.

Most of the other U.S. banks have slid down the league tables. Chase Manhattan is down from six to ten. J. P. *Morgan from 22 to 34, and Conti*nental Illinois from 41 to 46. Altogether 16 U.S. banks slipped out of the bottom of the list including fairly well-known names such as Midlantic Bank and Trust Company of Georgia.

In spite of the apparent strength of sterling, British banks continued to drop down the league tables. Barclays, which was the fourth largest in the world in 1970, fell from 12th place to 19th last year while National Westminster *dropped from 17 to 21.*

Their places have been filled by the Japanese banks—Dai-Ichi *Kangyo is now the eighth* largest—and the French and German. Some 35 German *banks rank amongst the top 300,* 23 come from Italy and another 15 from France.

The European contingent has been swollen this year by the inclusion of a number of co-operative and savings banks which are rapidly developing their international operations. The biggest newcomer was the $6.4bn *Caja de Pensiones para la Vejez y de Ahorros de Cataluna y Baleares (Caixa) from Spain.*

One of the most significant features to emerge from The Banker's survey is the steady relative decline of the big British and American banks which once dominated the international banking scene. In 1970 there were seven U.S. banks among the world's top ten and two British—Barclays and National Westminster. In the latest survey there are three U.S. banks, no British, four French and two German.

TOP 10 BANKS IN THE WORLD

1970	$bn	1979	$bn
BankAmerica	25.6	BankAmerica	92.0
Citicorp	23.1	Crédit Agricole	84.2
Chase Manhattan	22.2	Citicorp	83.8
Barclays Bank	15.1	Deutsche Bank	79.6
Man. Hanover Trust	12.0	BNP	78.2
J. P. Morgan	11.4	Crédit Lyonnais	74.1
NatWest	10.6	Société Générale	66.9
Western Bancorp	10.6	Dai-Ichi Kangyo	65.7
Banca Nazionale	10.2	Dresdner Bank	60.7
Chemical Bank	9.7	Chase Manhattan	59.9

Co-op plan welcomed

BY COLLEEN TOOMEY

PROPOSALS TO unite Britain's co-operative manufacturing, wholesaling and retailing interests into one central federal Co-op including retail societies received a cautious welcome from Mr. William Farrow, chairman of the Co-operative Wholesale Society, at its annual meeting at the weekend.

Mr. Farrow warned representatives of the 200 retail co-operative societies which own CWS that they should not underestimate the difficulties involved in [illegible] "super [illegible]"

But he said such an [illegible] could provide [illegible] a possible general route by which [illegible] which would [illegible]

The High Street *price war* and the effects of a severe winter resulted in a fall in trading profits from £23.1m to £19.3m, representatives were told. This was in spite of a 7.5 per cent increase in sales, to £1.5bn.

Liverpool pay disputes

AFTER A long period of industrial peace, Liverpool port has three separate groups of workers involved in pay disputes. The Mersey Docks and Harbour Company management has been reviewing the position over the weekend to prepare for meetings today and tomorrow.

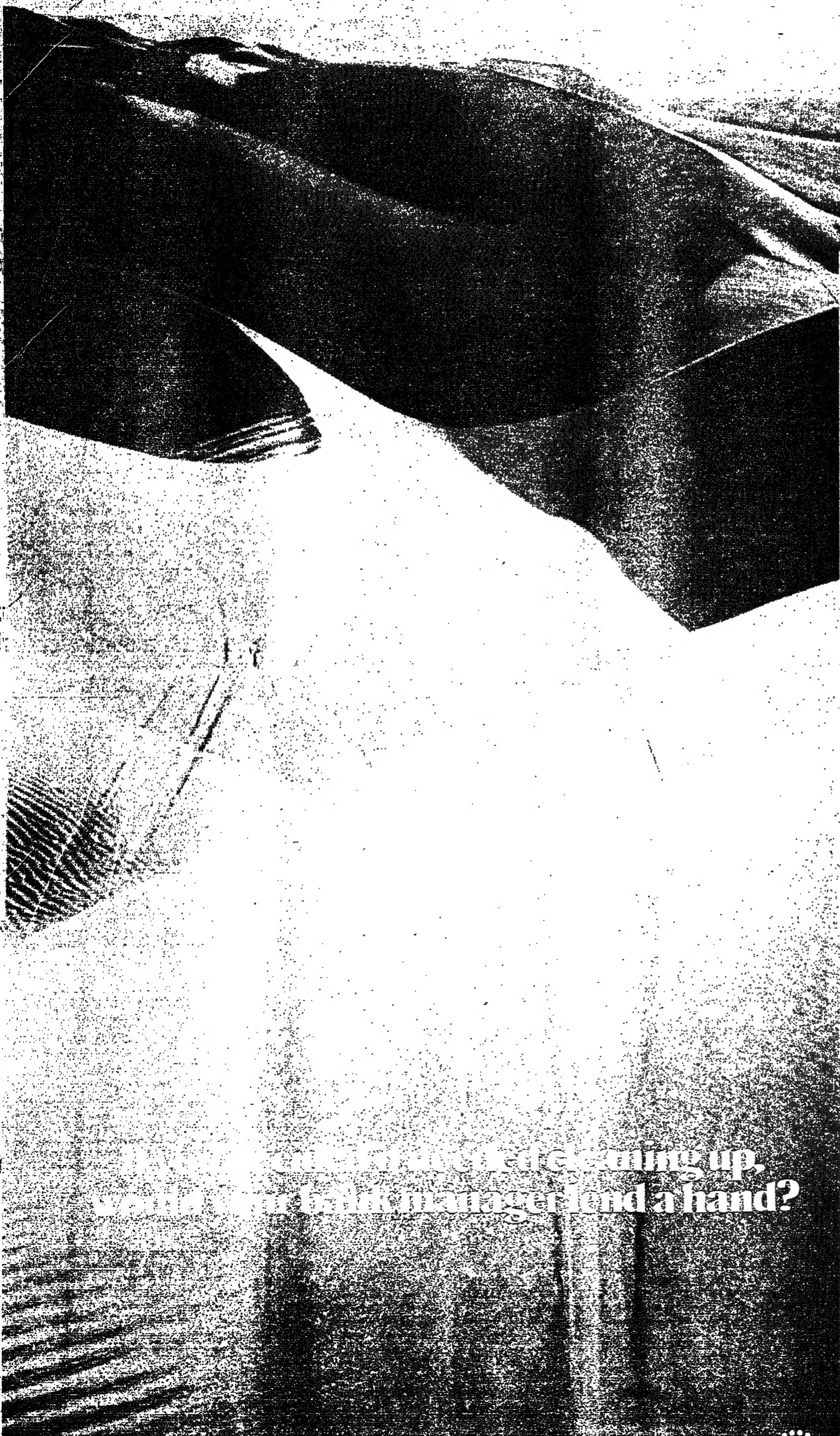
The port has been praised in recent months for its record of productivity and reliability. While management stress that disruption is being kept to a minimum it is anxious to restore this position.

The specialised container terminal in the £50m Royal Seaforth Dock has been at a standstill since Wednesday over a dispute involving pay differentials. The 350 men involved are to hold a dock-gate meeting this morning.

Later in the day representatives of the clerical staff, who are working to rule, meet management over their pay claim. *Tomorrow management* will meet representatives of the 260 shore gang workers who help to tie up ships and who have been on strike over pay since Thursday.

Meanwhile two ships are stranded at the berths, three are waiting to come in and five have been diverted.

ملکذا من الأصل



Imagine telling your bank manager you were thinking of cleaning up sand in the Middle East and needed a little help. Imagine the reaction. Disbelief? Laughter? That's what you'd expect.

But if he's a Midland Bank manager, you should begin to expect the unexpected.

Because, as a matter of fact, somebody did come to us with exactly that idea. And we listened. And we discovered that they designed a sand reclamation plant, which actually did clean sand, extracting all extraneous matter and minerals and so making it of uniform quality; after which it could be used to produce moulds for foundry castings. The plant was also used to recycle sand which had been previously used for such mouldings.

Your Midland Bank manager can give you help, whatever you're exporting, however unusual. Because he has at his disposal a highly skilled team of specialists who can, between them, help with business problems.

Specialists like Midland Bank's Panel for Overseas Trade Development, a team of experienced people who can meet exporters to advise on export development. And like the Overseas Trade Promotion Department, who can provide you with information about trading conditions in foreign countries... and provide confidential status reports on overseas companies.

Start thinking of your Midland manager and his team as the people to deal with your business needs. Because, thanks to teamwork, you can expect us to help with a lot of things you'd never expect.

Please send your free booklet, 'Financial Services for Proprietors of the Smaller Business'

Name________________

Address________________

FT 11/6

Send to: Midland Bank Limited Room 26, PO Box 2, Sheffield S1 3GG

You can expect the unexpected from Midland teamwork

Midland Bank

Midland Bank Limited

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

£3½m aluminium plant scheme

HIGHLIGHTING THE start of a three-year, £3½m expansion programme at Indalex, Kingsditch Lane, Cheltenham, Glos. (0242 21641) is the installation and commissioning this week of a French 2,000 tonnes hydraulic aluminium extrusion press.

Certainly the most advanced of its kind in Europe, if not in the world, claims the company, the press—developed by Secim in Paris—will work in conjunction with an ICL computer, ensuring maximum utilisation and performance.

Following his global shopping spree, managing director Peter McIlwraith, feels the Secim is the best international buy for his company's purpose, and is a fully integrated package.

The press, and its associated handling, stretch-straightening, cutting and heat treatment equipment, is capable of swiftly converting aluminium billets into multiple lengths of extruded section in the highest quality, both in terms of dimensional accuracy and surface finish. Of horizontal construction, with four columns, it weighs 133 metric tonnes and, operating at 210 bar.

Facilities available in the new plant commence with billet receipt and billet pre-heating and continue through the complete extrusion press cycle.

As it emerges from the die the extrusion is carried by a pneumatically operated "puller" and then passed across a cooling table before stretch-straightening and final cutting to length on a new type of saw.

From the sawing operation, extrusions are passed by a stillage through an ageing oven and then to the finishing division for silver or colour anodising, packing and shipment.

Extrusions also can be packed and shipped direct to the customer in mill finished form on Indalex's own transport fleet.

Further expansion at the Cheltenham base will result in a fifth anodising plant, on which the groundwork has just started, and a re-cycling plant. Latter facility means that scrap will now be re-cycled on site instead of having to be sent as far away as Wales.

The company started life under the full title of Independent Aluminium Extruders, as the first British extrusion company to be independent of the major aluminium billet producers, and is now a subsidiary of the Rio Tinto-Zinc Corporation, operating within the Pillar Aluminium Group.

Guide to safety

INTENDED FOR both senior executives and machine operators is "Safeguarding Milling Machines" published by the Machine Tool Trades Association, 62 Bayswater Road, London W2, at £5 (incl. p and p).

New guide is said to offer comprehensive advice on safeguarding knee and column, bed type, duplex, die-sinking, copying, large and other types of milling machines.

Included in the text are design requirements for safeguards, workholding devices, power systems, coolant and swarf, mist, fumes and dirt, lubrication systems, noise, work area, light, and other general considerations.

● INSTRUMENTS

Hand-held acidity meter

PORTABLE pH meter from Electronic Instruments, Hanworth Lane, Chertsey, Surrey KT16 9LF (Chertsey 62671) has a 10 mm high liquid crystal digital display covering zero to 14 pH, readable to 0.01 pH.

Contained in a case measuring 320 x 210 x 100 mm, total weight 1.35 kg, the model 3050 can be operated from the mains or from batteries, the latter providing 100 hours of continuous use—about 12 months of normal operation. A low battery indication is provided on the front panel.

Temperature compensation is adjusted by a front panel knob between 0 and 100 deg C and a recorder output is provided of 0 to 1400 millivolts.

The carrying case contains the instrument, a plastic bodied combination electrode, and three 50 ml bottles for buffer solutions and deionised water.

● ENERGY

Research into heat recovery in schools

FOUR methods of saving energy and/or extracting it from the environment are under test at Fencedyke Primary School, Irvine, Ayrshire.

The single-storey building is a high insulation brick structure heated by ducted warm air. This air flow also supplies the high rate of ventilation needed.

Three separate systems of ducting and heat recovery have been set up. In the first, a standard heat wheel (which can return efficiencies of as much as 65 per cent) is installed between fresh air intake and exhaust hot stale air discharge.

The second system is similar but has, additionally, a heat pump with its evaporator coil (heat absorbing) in the exhaust duct beyond the heat wheel, and its condenser coil (heat emitting) in the warmed fresh air stream coming in from the heat wheel.

A heat pump circuit is virtually identical to a refrigerator circuit except so far as size is concerned. It has an absorber section where cold liquid takes in ambient heat and transports it to the radiator section where the refrigerant liquid, which has heated up, is allowed to expand, release its heat to the finned radiator and cool down.

The third is similar again and has three heat pumps, suitably arranged.

In all three systems, intake and exhaust ducting are close together so that heat exchange equipment installation problems are not difficult.

At start-up, when bulk temperature has to be raised quickly, a system of dampers can be operated to close exhaust ducts (the air then can hardly be called "stale") and recirculate the air.

Each system has standard hot-water coils as a back-up with gas-firing to guard against system failure.

Supplementary heat is extracted from the kitchen area for the assembly/dining areas.

Although it has been accepted at initio that solar heat cannot be economical since the children will be on holiday during 6/8 weeks of the sunniest weather, solar panels have been installed to provide part of the heat for the hot weather supplies.

Lighting also is under close study with several programmes proposed and to be analysed at a later stage.

Interesting is a comment made some time ago, by an energy consultant that: as large consumers cut their demands from the central supplier so the latter's ability to build more economical power plant will be reduced.

Making use of waste heat

TESCO IS cutting its heating bills through the introduction of an IMI Range heat recovery unit at one of its stores.

The unit takes heat normally wasted by *refrigeration systems* to heat water services.

Based on work carried out by Air Condition Design Partnership in conjunction with the Tesco engineering department, the recovery unit was installed in Tesco's superstore at Wrexham, Clwyd, in October 1978. Since then, closely observed operation has shown that the unit will save about £700 a year and will pay for itself within three years.

In an on-going programme, comparable with that now in progress at Marks and Spencer the Wrexham development will enable Tesco to reduce the size of gas-fired boilers in similar stores, thus saving a considerable amount of capital outlay, while using energy required by the refrigerators more efficiently.

Waste heat is taken from two 40 hp condensing units. The discharge lines from two compressors go through the heat *recovery unit and hot gas transfers* its energy to the water within the recovery unit which is then used throughout the store in washrooms, the meat preparation room, canteen/kitchen and laundry.

Water usage in the Wrexham store during a six-day week is approximately 300 gallons. Daily temperature checks have shown that a 9 am the average temperature of the water in the heat recovery unit is 80 degrees C and by 5 pm has only dropped to 50 degrees C after adequately meeting the day's demands.

The IMI unit, was incorporated into an existing system consisting of two gas-fired boilers and a hot water storage calorifier. The unit has a highly insulated 700 litre tank with two integral heat exchangers, one for each condensing unit, and a thermometer. An automatic by-pass valve is incorporated into the discharge side of the refrigeration system which is controlled, along with condenser fan motors, by a thermostat. This cuts in when the condenser temperature increases above normal so that the performance of the refrigeration system is unimpaired.

IMI Range, POB 1, Stalybridge, Cheshire SK15 1PQ. 061-338 3353.

● PROCESSING

Separates the solids

IN ORDER that prospective users can assess the benefits of its Sluricena system, a mobile demonstration unit is now available for on-site trials, using individuals' own industrial/agricultural effluents, says Pollution Solutions, Blenheim Farm House, Benson, Oxon.

Trials are free and performed by arrangement says the company whose product is the result of a three-year development programme undertaken in conjunction with the Triton Engineering Company of Ashford, Kent, and has been introduced to meet anticipated more stringent government regulations pertaining to effluent disposal.

The Sluricena is a three-deck, twin mesh vibrating screen separator, developed to provide an all-purpose yet economic method of treating general industrial effluents including those from processing and chemical plants, and in particular agricultural slurries.

Operating on a sluice gate controlled flow system, it is capable of extracting an exceptionally high proportion of the solids from the raw effluent, says the company.

This process of separation makes both the solids and liquids safer and easier to handle for later disposal.

Units are available for updating existing plant, or to design engineers and consultants for integration with associated equipment subsequently to be installed as part of a total system.

● MATERIALS

Resists the attacks of vandals

BECAUSE OF conditions prevailing in and around Belfast a company there has introduced translucent vandal-resistant reinforced glazing with a further reinforcement of expanded steel mesh to give it maximum tensile and impact strength.

Said to be shock and shatter resistant, Saftiglaze is available in clear or tinted finishes (principal colours being amber, blue or green) from Vulcanite, Lockview Road, Stranmillis, Belfast BT9 5FP (0232 669444) or in Wigan (0942 46292).

Clear version has a slight transmission factor of up to 75 per cent and is suggested for use in office or factory windows, rooflights, telephone booths, public conveniences, bus shelters and other private, public and industrial buildings where additional security is needed.

Thicker grade has extra toughness and will resist high impact damage, says the company, even withstanding blows from a sledge hammer, without breaking.

● COMPUTERS

More power less cost

NCR HAS replaced all of its V18500 models with new multi-processing systems in the 8000 series in which performance improvements of up to 67 per cent have been made with, in some cases, price reductions of 30 per cent compared with the previous models.

The systems utilise NCR's "migration path engineering" approach so that programs, files and most peripheral equipment now being used on current 8400 and 8500 computers can be moved directly to the new systems without time consuming and costly conversion effort. They also employ a flexible internal bus architecture—a kind of ring main data interconnection cable—to which all system components are attached and to which other, better ones can be connected in the future.

There are nine new models altogether. Biggest is the V-8585M, which has 65 per cent more power than the earlier V-8580, at a price which is about 20 per cent lower. This 56 nanosecond mainframe can have from two to six million bytes of main memory and at the bottom end the price is £259,000.

At the other end of the new introductions is the V-8455 which operates under the company's virtual resource executive (VRX) and can have between one half and one million bytes of main memory. This offers about 90 per cent of the processing power of the 4331 at about 87 per cent of the price: with ½m byte the price is £35,000.

NCR claims that these nine machines completely encompass the two recent introductions by IBM, the 4331 and the 4341.

NCR is at 206 Marylebone Road, London NW1 6LY (01-723 7070).

● IN THE OFFICE

Electronic typewriters

TWO OLIVETTI electronic typewriters, models ET 201 and ET 221, have made their UK debut.

Inside the typewriter housing, both models are engineered for true electronic function. The only components are a number of micro-processor controllers, and the interchangeable daisy wheel printer and its driver which is used in Olivetti word processing machines. This design allows the ET 201 and ET 221 to run smoothly and silently, as does the electronic keyboard "buffered" for quiet typing.

The ET 221 has a gas plasma display, that shows the last 15 typed characters. It scrolls them character by character, word after word up to the end of each line. This enables errors to be spotted and corrected before they are committed to paper. In the same way each line may be read on the display before it is printed. This allows the secretary to alter it to create a "first-time" copy.

The ET 201 has an LED display to relay important information about what is going on in the machine: available space in the memory, number of characters before the end of the line and number of lines before the end of the page.

Both models are equipped with a memory. One type of memory recalls characters typed on the keyboard for two lines (224 characters per line) for automatic correction.

A second, "non-volatile" memory has a capacity of 1,0[illegible] characters, 830 of which are [illegible]served for storing up to t[illegible] everyday phrases (such as t[illegible] closure of letters), a furth[illegible] ten store "page formats" f[illegible] filling out regular forms [illegible] documents.

The remaining characters e[illegible]able a secretary to instruct t[illegible] typewriter where to start a[illegible] stop typing on a page and [illegible] recall up to three different tab[illegible]lation sequences.

Character size can be a[illegible]justed for easy reading (Pica[illegible] compact work (Elite), maximu[illegible] paper utilisation (Mikron) [illegible] executive correspondence (Pr[illegible]portional). The ET201 and E[illegible] 221 will automatically justi[illegible] right-hand margins in any o[illegible] of the four pitches.

The machines also offer r[illegible]verse printing—white letters [illegible] a solid black background blo[illegible] —together with automatic u[illegible]derlining and bold type f[illegible] emphasis and variety.

More from British Olive[illegible] Ltd., 30 Berkeley Squar[illegible] London W.1. 01-629 8807.

● RESEARCH

Test tower for lifts

THE EXPRESS Lift Company, a GEC subsidiary, is to build a 120-metres-high test tower at its Abbey works, Northampton. The company is contributing to the funding of the operation by the Department of Industry's Electrical Technology Requirements Board.

The tower will contain lift shafts for the development of medium- and high-speed lift control systems. There will be facilities for development of hydraulic lifts, the training of installation and service eng[illegible]neers and the testing of co[illegible]ponents to the new EEC dire[illegible]tive related to electrical operated lifts.

Building is due to start lat[illegible] this year and the facility, whic[illegible] will be in use by mid-summer [illegible] 1980, will be available to oth[illegible] British manufacturers involve[illegible] in research and development [illegible] this field.

Total cost is put at aroun[illegible] £800,000.

Electronic chamelon

A NEW AREA of application for magnetic bubble memory, the digital recording of random transient signals, has been demonstrated by a research team at The City University. They have done this by incorporating this memory technology in their roving slave processors (RSP).

The team, led by Dr. John Brignell, has been developing various aspects of the original RSP idea over the past three years, and together with an associated industrial consultancy, has produced models ranging from a simple recorder of commercial transactions to a powerful dual processor system for signal treatment.

RSP is a black-box which can be "trained" to do a variety of jobs when it is charged with an appropriate program by being plugged into a computer.

In the current development, which is being taken by the team to Geneva for the International Microcomputer/Minicomputer and Microprocessor Exhibition, the RSP impersonates a transient recorder, wit[illegible] the difference that it stores [illegible] number of captured signals [illegible] non-volatile bubble memory an[illegible] reproduces them on comman[illegible].

Ferranti's F100L micr[illegible]processor is the heart of th[illegible] system.

Further information from D[illegible] Brignell at the City Universit[illegible] Northampton Square, Londo[illegible] EC1V 0HB. 01-253 4399 Ex[illegible] 449.

CONTRACTS AND TENDERS

هكذا من الأصل

● NEWS ANALYSIS—BUDGET PRPARATIONS

Decisions behind the ritual in hands of a few key men

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

ΗE BUDGET is one of the eat annual set-pieces of ritish theatre, surrounded by ual and mystery. Yet surprisgly few people have been rectly involved in the preparaons leading up to the ceremon- departure of the Chancellor om number 11 tomorrow.

A large number have been fected to a lesser extent roughout Whitehall, especially the public spending review. It only a couple of dozen easury officials have been orking on the Budget fullne in the last month.

The exercise highlights that xture of external formality d close internal informality ich characterises the easury. The main decisions taken by the Chancellor and key advisers, meeting as the cal Policy Committee. This ludes Sir Douglas Wass, the rmanent Secretary, his four cond Permanent Secretaries, chairmen of the Inland venue and the Customs and cise, and a few other officials.

The main Treasury suggesns are channelled through Policy Co-ordinating Comttee, a body of a dozen top cials chaired by Sir Douglas. ese groups are serviced by Central Unit, a team of ee officials whose head is ectively operational chief of ff of the Budget preparations. present this post is occupied Mr. Brian Unwin, an underretary who appropriately nts Wellingtonia among his bies.

All sectors of the Treasury be involved in putting ford submissions—for example, monetary policy and exnge controls. But a key t is always played by the al policy divisions, which sist of about a dozen staff ded by under-secretary Mr. nold Lovell.

The job of the fiscal policy is to try to assess the rall social and economic lications of tax changes. This is an all-the-year round exercise and involves trying to evolve a medium- to long-term tax strategy, into which each short-term change is meant to fit. For instance, the surcharge on the 'employers' national insurance contributions may have *been a last-minute surprise for* the Cabinet in July 1976, but it was examined in considerable detail beforehand by officials. This work fits in with a continuing review of the operations and technicalities of the tax system by the Revenue and the Customs.

Long gone, of course, are the days when there was only one Budget a year. Mr. Denis Healey, the last Chancellor, had an average of two to three major economic statements a year. But the main Budget—usually in March or April—remains the focus for a full annual reassessment of the economy and for the announcement of major tax measures, even if public spending plans, the other key part of the fiscal equation, are announced separately.

The tempo of the preparations starts to build up in the New Year. The first main event is the preparation of the short-term forecast of the economy over the following 18 months. This does not involve someone just pressing a button to produce a computer print-out; instead there is a lengthy process of discusion involving two drafts and a two-day seminar.

The completion of the forecast is accompanied by the preparation of papers looking at various alternative measures. This is undertaken by the Central Unit in conjunction with economists of the policy analysis division, though there are no hard and fast distinctions between forecasters and policy-makers. All this work provides the basis for the Permanent Secretary's presentation of the Treasury view which is written up by the Central Unit.

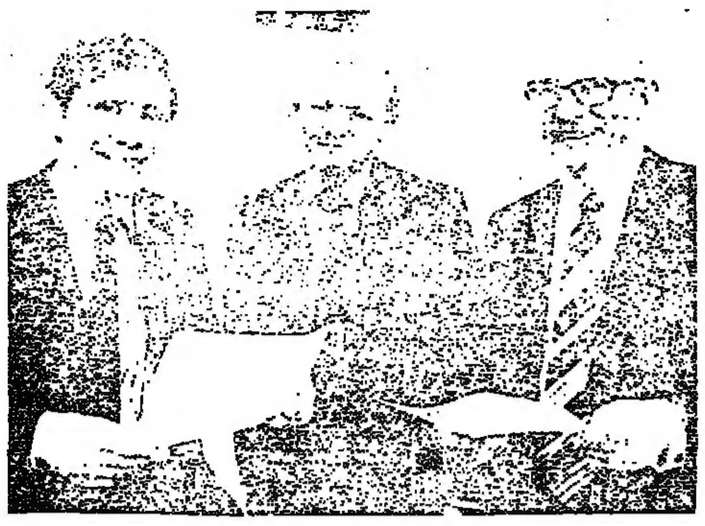
The aim of this exercise is to outline prospects and present options—as series of so-called Budget building blocks—for the Chancellor, who has been kept continually in touch. The hope is that the broad balance of the Budget can be determined about *a month beforehand.*

The final shape of the Budget generally has to be agreed about a week or 10 days beforehand. This is partly to allow completion of the vast task of pulling together the numbers to appear in all the material (such as the Red Book) which accompanies the Budget—a job masterminded by Mr. Len Taylor, the Treasury Chief Accountant who, among his other duties, looks after the Royal Family's money. A parallel exercise is the preparation of the speech, from a skeleton three or four weeks before Budget Day to a full, and usually excessively long, draft a week before.

The Budget operation can vary enormously from year to year and naturally depends on the personality of the particular Chancellor. Mr. Healey was closely involved throughout, questioning his officials in a style of somewhat robust openness. He has said that he long ago gave up basing his Budget decisions on the economic forecasts.

The preparations have been highly unusual this year. A full Budget was completed for April 3, only to be aborted after the Government's defeat in the Commons. Sir Geoffrey Howe *will have had 37 days between* his appointment and delivering the speech—compared with a 24-day gallop by Mr. Healey in March 1974. This has involved hectic work by both politicians and officials, though an updated assessment of the economic prospects and various policy options was available after the election. Consequently the usual operation has been telescoped rather than significantly altered.

Even in this short period a new style has already become clear. Whereas Mr. Healey was rather a loner—closely involving only Mr. Joel Barnett among his ministerial colleagues—Sir Geoffrey operates more of a team or collegiate approach. For instance, Sir Geoffrey, an early riser, meets his other four ministers and their special advisers first thing in the morning for what are known as prayers, a daily discussion without officials.



Members of the Treasury Budget team: from left, Mr. Brian Unwin, Mr. Arnold Lovell, Mr. Len Taylor.

The role of the special advisers is also different. Whereas Mr. Derek Scott, who worked for Mr. Healey, was primarily involved in political work and on pay issues, the Tory team is much more concerned with detailed preparations for the Budget. Mr. Adam Ridley, the senior of the two advisers, is a former Treasury and think tank official and has spent more of his career in Whitehall than in politics. The whole team has taken a very positive role in putting forward its own proposals—on, for example, public expenditure—parallel to the Treasury's own suggestions.

Whichever party is in power, Budget preparations are noted for their secrecy. But in the last three years Mr. Healey had been becoming much more open at least about his general intentions, if not about specific measures or forecasts; in the two months before his speech there was too a Cabinet discussion about the broad strategy.

The long-term practice, however, has been summed up in the view that "the Budget is shrouded in secrecy until the Chancellor unveils his master plan. He presents it as a fiscal fait accompli, receptive to neither the benefit nor the opportunity of prior examination or constructive comment." The words were those of Sir Geoffrey Howe two years ago: in his recent hurry he has not yet had the chance to fulfil his promises of greater openness.

Gloomy outlook for Britain's economy say the forecasters

BY OUR ECONOMICS CORRESPONDENT

A GENERALLY pessimistic view of the prospects for the economy over the next 12 to 18 months is presented in a batch of pre-Budget analyses published today.

The Henley Centre for Forecasting warns, for instance, that *whatever happens in the Budget* the gloomy outlook for the world economy will mean a slowing of UK output growth. Consequently unemployment is likely to rise by 100,000 by the end of the year, when the annual rate of inflation may be around 13 per cent.

City brokers Hoare Govett believe that indirect tax increases in the Budget will push up the retail price index by about 1½ per cent and that its 12-month rate of increase will reach about 14 per cent by December.

Brokers de Zoete and Bevan project an annual rate of 14-15 per cent by the end of this year and a peak of 16 per cent by next summer. The rate should fall to 13 per cent by the end of 1980 provided that a restrictive fiscal and monetary stance is maintained.

On the basis of simulations with the Treasury's economic model, brokers Montagu Loebl Stanley warn that growth is likely virtually to stagnate next year, that North Sea oil will not guarantee a current account surplus and that company finances will be put under severe pressure over the next two years.

On the eve of the Budget there is also advice from industrial bodies. The London Chamber of Commerce notes tighter than expected economic constraints on tax cuts but says "if the Government does not make a dramatic move now it probably never will."

Both the London chamber and the Radio, Electrical and Television Retailers' Association call for a single standard rate of VAT—10 per cent instead of the present 8 and 12½ per cent.

⊙ Sir Geoffrey Howe, the Chancellor, has been urged to end "discrimination" against working wives in the Budget. A married women should be taxed as an individual and not assessed with her husband for tax purposes, says the Equal Pay and Opportunity Campaign.

"Current tax laws assume that a wife is financially dependent on her husband and make him legally responsible for her tax affairs."

COMPANY NOTICES

NOTICE TO BONDHOLDERS

PROVINCE OF NEWFOUNDLAND

(CANADA)

50,000,000 U.S. Dollars 9¼% 1978/1990 Bonds

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that no Bonds have been purchased for the Purchase Fund during the twelve-month period commencing June 1, 1978.

Amount outstanding: $U.S. 50,000,000.—

PROVINCE OF NEWFOUNDLAND (Canada)

June 11, 1979

NOTICE TO BONDHOLDERS

PROVINCE OF NEWFOUNDLAND

(CANADA)

20,000,000 Canadian Dollars 9½% 1975/1983 Bonds

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that no Bonds have been purchased for the Purchase Fund during the twelve-month period commencing May 15, 1978.

Amount outstanding: $CAN 19,750,000.—

PROVINCE OF NEWFOUNDLAND (Canada)

June 11, 1979

Dfls. 60.000.000.–

6¾% Bearer Notes 1973 due 1977/1980

of

N.V. NEDERLANDSCHE SCHEEPVAART UNIE

(now named KONINKLIJKE NEDLLOYD GROEP N.V.)

Rotterdam

Third annual redemption instalment (Redemption Group No. 1 and No. 3 fell due on July 15, 1977 and July 15, 1978 resp.)

As provided in the Terms and Conditions Redemption Group No. 4, amounting to Dfls. 15.000.000.–, has been drawn for redemption on July 15, 1979 and consequently the Note which bears number 4 and all Notes bearing a number which is 4, or a multiple of 4, are payable as from

July 15, 1979

at

Algemene Bank Nederland N.V.
(Central Paying Agent)
Bank Mees & Hope NV
Amsterdam-Rotterdam Bank N.V.
Pierson, Heldring & Pierson N.V.
in Amsterdam;
Kredietbank S.A. Luxembourgeoise
in Luxembourg;
Algemene Bank Nederland (Genève) S.A.
in Geneva;
Algemene Bank Nederland in der Schweiz AG
in Zurich.

June 11, 1979

Building and Civil Engineering

Thameside office block proposal

PRIME site and a major multinational bidder add up to several millions, especially in London itself. Where IBM and a leased site on the South Bank are concerned, the deal means a figure somewhere between £30m and £50m—no one will be more specific—but with a consensus around the £35m mark.

IBM has applied to the Borough of Lambeth for detailed planning permission for the construction of an office building which will be located on the South Bank of the Thames near the National Theatre.

The lease of this particular site was bought in February from Associated Newspapers. On it, it is intended to set up a 300,000 square foot fully air conditioned five-storey block around central courtyards to house both marketing and support staff for data processing equipment.

As in the case of a number of new structures along the river, each floor will be stepped back and the external surfaces finished with concrete panels that blend in with the surrounding buildings.

Staff will work out of this major new centre to support marketing operations in London and the south-eastern area of the UK.

Architects for the development are Denys Lasdum Redhouse and Softley, who recently completed a feasibility study for the company. They are being retained as architects for the development, which demands a £1m extension to the river wall and a new walkway to give public access to the riverside.

Providing planning permission is obtained, work on the site will start at the end of this year for completion in 1983.

Engineering services worth £10m

CONTRACTS worth about £10m for building engineering services, which include a combination of air conditioning, heating, electrical and plumbing installations, have been won by Matthew Hall Mechanical Services.

The largest of these worth £3.2m, is at the international computer centre being constructed for the Midland Bank at Wentworth Industrial Park, near Sheffield, South Yorkshire.

At Donnington, Salop, Matthew Hall is providing an extensive high temperature hot water heating scheme for 29 buildings under a £2.5m contract at the Central Ordnance Depot for the Property Services Agency, while two orders from the Ford Motor Company are for services, including specialised industrial pipework, at the latter's Bridgend, mid-Glamorgan Plant and at the Engineering and Research Centre, Dunton, Essex (£1.5m).

Other work includes installations at Angel Court, London EC2, for Morgan Guaranty Trust Co. of New York, which will occupy a substantial part of the newly constructed, 180,000 square feet building; refurbishment of air conditioning and heating for Barclays Bank, 7-16 Gracechurch Street, London, EC3 and building engineering services for an existing store and major extension for Debenhams at Reading, Berks.

Franklin Hodge Industries, a Matthew Hall Group company, has received an order from Saudi Arabia for two "Liquistore" bulk storage tanks. These are being shipped to Al Kharj Power Station, Riyadh, where they will be used to supply water for a Matthew Hall fire protection system. The tanks have a total capacity of 416,000 gallons.

Belgian plans for Scheldt dam

TIDAL BARRIER plans are being laid in Belgium to provide protection against tidal surges. These can occur in the North Sea by combinations of exceptionally high tides and storm winds from the northwest, which further pile up the waters. This happened to cause the UK east coast flood disaster in 1953.

Similar in concept to the Thames barrier, the Belgian plans call for a storm dam across the Scheldt down-river from Antwerp, which will cost in the region of £250m to build over the period up to 1987.

Project design is in the hands of Sté de Traction et d'Electricité and the extensive dredging operation has gone to Dredging International.

Electromechanical equipment will cost over £33m and will be constructed by Cockerill and by Boomse Metaalwerken.

Two years will be required for the design phase which envisages the provision of a unit which will look like a section of a giant cylinder rotating between two vertical circular plates, so that the section fits neatly into a similarly shaped trough in the river bed when conditions are normal, but can be rotated to provide a progressively higher lip, opposing the ingress of the tide, as conditions demand.

The structure will be big enough to provide protection against surges up to about 30 feet above mean low water. At the same time, control will be advanced enough to enable the whole structure to rotate into place in one hour, requiring a single operator.

£7m Kyle Stewart awards

LATEST AWARDS to Kyle Stewart include a scheme for two new industrial units at the Brent Cross Industrial Estate, Cricklewood, London, for Heron Industrial Estates. The scheme, valued at £4.4m and designed by Kyle Stewart, will provide industrial and office accommodation including all services and external works. Work has just begun.

The company has also started work on the construction of a single-storey paint and finishing shop and a two-storey trim shop and offices at Hythe Road, London NW10, for Rolls-Royce Motors. Total area is 7,500 square metres and the £1.7m contract includes the refurbishment of the existing office block at Hythe Road.

Amalgamated Estates has placed a £300,000 contract for works at 374-390 Kings Road, Chelsea, London. This calls for the demolition of rear extensions to shop units, lower basement floors and rebuilding of a two-storey extension. This scheme is due for completion in 36 weeks.

Work has also recently started on a scheme in Brook Street, London, for Revlon International Corporation. The £750,000 contract provides for demolition work, the construction of a new mansard roof, new suspended floors, staircases and lift shaft. Completion is scheduled for May 1980.

Laing jobs top £5m

IN NIGERIA, John Laing International has been awarded a £4.2m contract to build support buildings for Mongonu Barracks, some 100 miles north of Maiduguri, close to Lake Chad, for the Armed Forces Developments Projects.

Building is by a number of contractors: Laing is responsible for the officers' mess, welfare centre, chapels for various denominations, a mosque, and offices. Company will also provide roads and water distribution.

Construction will be of single-storey blockwork and is due for completion in six months. Once finished, the entire barracks complex will house more than 1,500 servicemen and their families with a total anticipated population of about 8,000.

Bringing up the total of contracts newly awarded to the company to around £5m is work for the London Boroughs of Southwark and Greenwich, where a total of 50 inter-war houses, flats and maisonettes in South London are to be modernised under two separate contracts.

Extra £3.3m for Bryant

FURTHER WORK just announced for C. Bryant & Son is a £3.3m contract from the Borough of Tamworth to construct 246 dwellings in Pennine Way, Stonydelph, Tamworth.

Besides building 203 houses, work involves constructing 12 flats in two storey units, a shop with flat, 29 flats, a warden's house, community centre and all external works, estate and main access roads and sewers.

Contract period is for 109 weeks and The Mason Richards Partnership is the architect.

£3½m power station

TENDER VALUED at £3.4m from A. Monk and Co., has just been accepted by the Central Electricity Generating Board for the construction of a 140MW gas turbine power station at Cowes, Isle of Wight.

In addition to two turbine houses with air intake shafts and filter houses there is a control block, two transformer compounds, a workshop and amenity building and stores.

Project includes pumphouses, tank base, relay building, various structures in the 132 kV substation compound and fencing and boundary walls.

Big refurbishing job

SAID TO BE one of the largest refurbishment jobs ever undertaken in London is the proposed work on Unilever House at Blackfriars where significant structural alterations are involved including the creation of a new entrance foyer incorporating finishings of a high standard, says Wates.

Work at this early '30s landmark includes extension of lift facilities, air handling equipment and main vertical duct runs installed with related work at both roof and sub-basement level.

Externally, doors and windows will be altered and the closed facade opened out at eighth floor level to allow for windows to be inserted.

Starting this month in concert with the Unilever project is the refurbishment at Midland Bank Balham premises on conversion and upgrading of Banking Hall and offices.

Total contract value of both projects is about £3¾m.

Shop schemes by Cubitts

CONTRACTS FOR two new shopping developments in London and the Midlands are worth almost £3m to Cubitts, member of Tarmac Group.

At Penge, Holland, Hannen & Cubitts Construction is building a new Key Markets development under a £2.3m contract on a site adjoining the High Street. This project includes a major supermarket, four shops, restaurant, multi-storey car park for 250 vehicles, and public conveniences.

Work in the Midlands includes a further £274,000 contract for fitting out for International Stores' supermarket at Kingswinford, and a £285,000 car showroom job and workshop at Great Barr, Birmingham for Datsun UK.

In London, the company is to alter an office block at Bloomsbury Square for D.O.B. Estates under a £316,000 contract, while £400,000 work for Cavenham Communications at City Road includes refurbishing the basement, ground and first floors.

Housing by Willmott

LARGEST SINGLE housing contract won by John Willmott Group in new awards approaching £5m, is for 115 dwellings at Houghton Regis, Beds., worth £1.5m. This is for the Aldwych Housing Association and includes 71 houses and 44 flats with a construction programme of 87 weeks.

Milton Keynes Development Corporation has awarded three further housing contracts which total more than £1.6m, including 116 dwellings and houses at Conniburrow and on two adjoining sites in Fishermead; the largest contract, worth nearly £1m, is for 72 dwellings on one of the Fishermead sites.

Second development corporation contract comes from Northampton for 54 dwellings in Parkwood Street, Northampton, valued at £780,000.

In addition, the company's wholly owned subsidiary, A. E. Symes Construction, has been awarded a £860,000 contract by Hummingbird Housing Association for 16 dwellings, child care centre and community facilities in Redding Road, London, SE15. This will be carried out in two phases and construction of the first phase has already started.

£2¼m worth for Tilbury

MAINTENANCE WORK Portland, Dorset, for Property Services Agency is be carried out under a £900, three-year term contr awarded to Tilbury Constr tion. This is the largest of t company's latest awar totalling over £2¼m.

For the St. Austell Nor sewerage scheme in Cornw under a £726,000 contract fr the Borough of Restormel, t company is to lay 8,300 met of gravity sewer while ; English Industrial Estates it to extend a factory and provi a two-storey office block on t Treloggan Industrial Esta Value of this contract is ov £1m.

Other jobs include a wo shop in Barnstaple, Devon, t the South West Water Author (£113,000) and replacement supporting piles to Teignmou Grand Pier (£50,000).

Malaysian project

BRITISH CONSULTANTS a to prepare a developme masterplan for the Malaysi State of Sabah.

They include Peter Fraenk and Partners, Huszar Bramm and Associates and P.E. (Int national) led by Hunting Tec nical Services of Borehamwo Herts.

The consultants will form late a long term developme strategy for the next 20 yea and are to identify projects detail for implementation du ing the Fourth Malaysia Pl 1981-85.

Hunting says the strategy w take into account the tot resources of the State integr ing them into a comprehensi phased pattern of developmen Included will be land forestry, mining, conservatio urban and agricultural settl ment, water supplies for urba rural and agricultural us roads, power supplies, industri expansion and social develo ment.

Wimpey wins over £5½m

MAJOR JOB in new contracts totalling over £5.6m recently awarded to George Wimpey is for construction of 169 dwellings at Aston Brimbles for Peterborough Development Corporation at a value of about £2.1m.

Work for Nottingham City Council is for the repair and modernisation of 119 dwellings at about £900,000, and a further site modernisation contract in excess of £1m is being undertaken for Ashfield District Council.

London Borough of Bexley has awarded a contract worth £1.74m for the construction of dwellings at Lincoln Road, Erith, comprising 49 houses and 43 flats in two-storey traditional construction.

Work won by the company's Cardiff office includes construction of Radyr Court Primary School, Radyr Cardiff for South Glamorgan County Council and site regrading, drainage works and footpath construction at Forest Farm Industrial Estate, Coryton, Cardiff for the Welsh Development Agency.

Fewer entries for Concrete Society Awards

THE LONDON Embassy of the Federal Republic of Germany and the Brighton Marina harbour breakwaters are the joint winners of the Concrete Society 1979 Award.

There were 28 entries for the Award—the lowest number since the Concrete Society introduced the scheme 12 years ago, a reflection of the lower levels of construction work now being carried out.

In addition, three schemes were selected for special mention, although no commendation was made. The Award takes the shape of a plaque, to be fixed to the winning structures, and certificates presented to those primarily concerned with the design and construction.

The Germany Embassy building, the winner from the Building Structure category, was designed by architects Walther and Bea Betz and Jan Brobrowski and Partners, were consulting engineers. It was built by Trollope and Colls. The judges said the building was "an excellent example of the use of concrete in that it forms a civilised insertion into a neighbourhood of strong character. It adds interest to this area of high class uniformity."

In the civil engineering section, the Brighton Marina breakwaters were applauded for having harnessed "the great forces of power in nature for the use and convenience of man." They were, the judges added, constructed in "an ingenious and workmanlike manner in the face of storms and foundation problems."

The breakwaters were designed by the Louis de Soissons Partnership and Lewis and Duvivier were the consulting engineers. Taylor Woodrow Construction was the contractor.

One of the two schemes selected for special mention was the new wing of the National Gallery of Scotland—"a sensitive and discreet solution to the problem of making a large extension to a well-loved public monument in one of the finest urban settings in Europe." The extension was designed by the Property Services Agency and the contractor was Farrans.

The other special mention was the Edinburgh Dome of the Malvern Girls' College, offering what the judges described as "an ingenious and courageous use of concrete which we would have rated higher had the problems of waterproofing and acoustics been more completely solved." The Dome was designed by Godwin and Cowper and consulting engineers were Norwest Holst Specialised Engineering. Norwest Holst Construction was the contractor. MICHAEL CASSELL

Docks work in Dover

ALREADY UNDERTAKING a £6m contract for the Dover Harbour Board for two new berths, Mears has now won a further contract for modifications to the hoverpad as part of the eastern docks development scheme.

The latest work, costing over £110,000, involves construction of a road and resurfacing areas adjacent to it as well as provision of temporary access to the new berths.

Gas plant power units

ABU Dhabi Oil Company (Adnoc) has placed a contract with Merlin Gerin, of Grenoble, for a study of the electric power needs of the Bab and Asab propane liquefaction plants in this major Emirate.

The French group expects to deliver 150 low-voltage distribution centres and 118 medium-voltage units for the two plants.

Start-up is for the second quarter of 1980 and will run at between 8m and 11m cubic metres of gas per day—propane, butane and condensates.

Treated gas will go by pipeline to the Ruwais tank farm where Merlin-Gerin is to install a further 20 medium-voltage switching units.

IN BRIEF

- Three year contract for building and civil engineering work at RAF Stations Coltishall, Neatishead, Horsham St Faith and the Broadland and North Norfolk District, has been awarded to Walter Lawrence (East Anglia) and is valued at £245,000 per annum.
- Placed with Bison Concrete is a £½m contract for a precast concrete panel frame for an 11 storey plus basement office block for Trafalgar House Developments in the centre of Birmingham.
- Over £2m worth of timber-framed system buildings are scheduled for erection by S. Wernick and Sons, Billericay, on some 70 sites in the UK.

The types of buildings range from school class rooms to large office complexes, showing the flexibility of Wernick systems.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Michael Lafferty looks at the chequered history of a leading merchant bank on the eve of its results which may more clearly indicate its current state of health

Hill Samuel: quest for new role

ILL SAMUEL must be one of ie most talked-about merchant anks in the City today. People re asking where it is going, and hat role it sees for itself in ie 1980s. There are rumours, indled by a number of senior epartures over the past year, iat it is "an unhappy ship"—nd a few of the merchant bank-ig *cognoscenti* even go so far s to suggest that it is an organi-ition without a sense of direc-on.

For what it is worth, Hill imuel's recent profit record ike most City merchant anks, Hill Samuel is not equired to disclose true esults) has been dismal.) cap it all, the group has id to soldier on for the past ree years with the knowledge at its secret reserves—a vital mbol of virility in merchant inking—were more or less rown. At the time of the 1973 erger discussions with Slater 'alker Securities, they had been vealed to be a surprisingly w £4½m.

Deal was baulked

These are tough things to say out a leading merchant bank. t it is difficult to look back Hill Samuel over the past cade without concluding that ere might be something in at the critics say. In 1970, r example, the Hill Samuel ard under its current chair-an, Sir Kenneth Keith, recom-ended a merger with the operty group, Metropolitan tate and Property Corpora-n. Institutional opposition evented the deal. In April, 73, the City gasped in excite-nt and amazement when the ll Samuel Board announced merger with Slater Walker curities. Once again, however, c institutions baulked, and deal had to be called off the y before the offer closed.

Hardly a year later, Hill muel was back in the head-es again: it appeared to have t $21½m as a result of a spot foreign exchange deal that was never completed due to the collapse of the Frankfurt bank, I. D. Herstatt. It was only after lengthy litigation, which finally ended last year, that Hill Samuel was able to draw the curtain on Herstatt. It had recovered most of the money, leaving net losses from the unfortunate affair of some £1.3m after tax relief.

After Herstatt, there were no more dramatic schemes from the Hill Samuel board. The only developments to hit the headlines concerned a £9m injection of new share capital last year, following what Hill Samuel chose to call "a new international relationship" with the two little-known foreign banks, and some changes of top personnel.

Most dramatic perhaps was the resignation of John Elton as chief executive of the merchant bank part of the group in June last year. This came less than two years after he joined Hill Samuel from a life in industry with Alcan Aluminium. Early this year another senior executive, Victor Wood, chose to give up his position as chief executive of one of Hill Samuel's three divisions, the broking and consulting services group.

Altogether these changes provide a bewildering background against which to assess the present Hill Samuel. It is a matter that group chief executive Sir Robert Clark likes to put in perspective by looking back at the history of Hill Samuel. The group came about through a merger in 1965 of two main merchant banks—Philip Hill and Partners, which was principally involved in investment banking, and M. Samuel and Co., which had a more traditional banking and acceptance credit business. After the merger resources were devoted to expanding the banking side, which grew very profitably.

The rationale behind the merger of Philip Hill and M. Samuel lay in the belief that the demand for international capital was growing at such a rate that the fortunes of both banks would best be served by creating a bigger competitive entity.

Similar logic led the Hill Samuel board to recommend the merger with MEPC four years later. "Your board believes that for Hill Samuel to be able to compete most effectively with other international businesses providing financial services, the process of enlargement and diversification must be continued during this decade," Sir Kenneth Keith told shareholders at the annual meeting in 1970.

Three years later, Sir Kenneth was making the same point—this time in recommending the merger with Slater Walker: "You will no doubt be aware of the conviction which I and my colleagues strongly hold that in the progressively more competitive international, financial environment that London merchant banks now face, emphasised by Britain's entry into the European Economic Community, banking resources and financial strength will be matters of paramount importance." The intention, Sir Kenneth wrote in a letter to the Department of Trade and Industry, was "to develop on the lines of a European Banque d'Affaires."

Top of the pops

Looking back Sir Robert is unapologetic: "If the MEPC merger was suggested today, it would go through." As for Slater Walker: "Don't forget that at the time it was top of the pops." The two abortive affairs simply demonstrated that Hill Samuel was always ready to look around for solutions to its problems.

The Slater Walker setback did not daunt Sir Kenneth. A £10m rights issue would provide enough new capital for Hill Samuel *to continue its rate of growth* in commercial banking and overseas expansion, he informed shareholders at an extraordinary general meeting in June 1973. He was unrepentant that the concept of a vast "financial supermarket" was right for the group.

Exactly a year later however such notions had to be thrown overboard when Hill Samuel hit a rock in the form of the Herstatt collapse. This was a considerable blow for a mere merchant bank with relatively small capital resources. There was no option "We just pulled in our horns," explains Sir Robert. Consequently Hill Samuel did not take any part in a growing new market for the merchant banks—Eurodollar lending of medium and long-term finance.

But Herstatt was not the only problem for the merchant bank. By 1974 inflation was running at a rate of 16 per cent, and it was to continue well into double figures until 1978. Inflation has a devastating effect on banks, and merchant banks in particular, because it requires them to find more and more capital each year simply to maintain the same volume of lending as before. The position is aggravated by the British tax system which, in effect, forces the banks to earn twice as much as industry to end up with the same earnings.

By this time last year Hill Samuel had decided on a major change of policy. It was to reverse its concentration on developing the traditional merchant bank lending side of the business, and put most effort into expanding fee-earning activities. Capital intensive activities were to be avoided as far as possible. One consequence was the disposal of an underwriting subsidiary, providing £3m in spare funds. Then the group was re-organised into three groups:

(a) the merchant bank, which has three operating divisions, UK, international, and project finance;
(b) broking and consulting services, covering shipbroking, employee benefits, and Lloyd's insurance broking operations; and
(c) life and investment management, which includes domestic and international fund management services and a life assurance company.

Big name clients

On the domestic merchant bank side, this means much more attention is being paid to corporate finance, which is still Hill Samuel's biggest fee-earning activity. Hill Samuel appears reasonably well placed here. It has the largest number of UK clients of any UK merchant bank. These are mainly medium-sized companies, but there is now an active thrust to add to the list of big name clients like Beecham and Courtaulds.

Last year, thanks to Beecham's £82m rights issue, Hill Samuel topped the rights issue league, raising £139m for clients. It also leads the field in rights issues so far this year having raised £80m. In the volume of bids and deals it is believed to have been fourth last year among the Accepting Houses—the traditionally elite group of London's merchant banks. With the return of Mr. David MacDonald, former Director General of the Take-over Panel, to take up a yet-to-be announced senior position at Hill Samuel, it may be expected that further resources will go into corporate finance.

On the international and overseas side, Hill Samuel has decided that smaller banks like itself simply cannot compete with the big commercial banks of the world, including the British clearers, in chasing tight margin international loans. It is here, according to Sir Robert Clark, that the group's recent change of direction has probably been most felt. Offices which were previously concerned with a wide range of activities including lending, and property development have been forced to concentrate on developing fee-earning advisory services.

One feature of this has been the development by Hill Samuel of a particular line of expertise in back-to-back loans. It believes itself to be the leading merchant bank in this field, having done 25 deals totalling £65m over the past three years. The principal overseas offices are in Australia, South Africa, Switzerland and West Germany. Recent developments include associated operations in South Korea and Bahrain, where it has formed a partnership with Banque Arabe et Internationale d'Investissement (BAII), one of Hill Samuel's two new foreign bank shareholders.

Hill Samuel's broking and consulting group includes possibly the market leader in pension consultancy and personal finance, Noble Lowndes. This year it hopes to reap the benefits of an enormous volume of work involved in contracting out over 1,200 clients from the State pension scheme. The group also includes Lambert Brothers, one of the oldest shipbrokers in the City, but which is today suffering from the continued world shipping depression. In 1978 its profits were halved to £½m, but Hill Samuel recalls it has made a million before and forecasts it will do so again.

The insurance broker in the group is Lowndes Lambert, a medium sized concern in a business which has also been facing a rough time recently. In a bid to stem rising overheads Hill Samuel recently moved half the City-based jobs to cheaper accommodation in Swindon.

The life assurance and investment management group has £2.1bn under management. Of this 60 per cent is pension fund money, making Hill Samuel the leader in this field. Despite Hill Samuel's determination to avoid capital intensive activities it is sticking with the life assurance company, which has some £300m of funds, because it expects to reap considerable profits in coming years. It is claimed that this operation has lately made considerable headway in its chosen route of unit-linked new business.

Labour intensive

Though all these operations may not be capital intensive, taken together they are labour intensive. For example, Hill Samuel's UK labour costs for the year to March, 1978, amounted to almost £19m—not far off three times the reported profit figure. In contrast, Kleinwort Benson had UK staff costs for the 1978 accounts of £6.3m and reported profits of £9m; at Schroders the wage total for 1978 was £5.8m, against profits of about £5m, while at Mercury Securities, the holding company of Warburgs, the wage figure was £7.2m, against reported profits of £8m. Perhaps this throws some light on Sir Kenneth Keith's comments to shareholders last year about the group having the capacity "to increase income substantially without a corresponding increase in costs."

The overall strategy, says Sir Robert Clark, remains one of having an all-round financial services group—albeit of a somewhat different scale to that envisaged some years ago. "We will concentrate on what we have. But we want to be the market leader in all the areas we are involved in."

The benefits of the relationship with the two new partners—First City Bancorporation of Texas, which owns 3.1 per cent of the group, and BAII, which owns 5.2 per cent—will "take a bit of time" to emerge. So far, however, there have only been a number of customer exchanges, apart from the formation of joint merchant banking operation with BAII in Bahrain.

What about morale at Hill Samuel? Sir Robert is adamant that it is just as good as in any leading merchant bank, and he refuses to accept that he runs anything less. The truth may well be that Hill Samuel has been through its worst patches as far as internal personnel problems are concerned. But it would not be surprising if its staff, like the City, are still waiting for a bit more guidance on where the future of Hill Samuel lies.

Sir Kenneth Keith (right), chairman of Hill Samuel, which is rumoured to be an "unhappy ship." Sir Robert Clark (left), chief executive, denies this. And of the abortive mergers with MEPC in 1970 and Slater Walker Securities in 1973 he is unapologetic—if MEPC were suggested today "it would go through," while of SWS he says: "Don't forget that at the time it was top of the pops."

NEI develops bold strategy to capture overseas markets

BY JOHN LLOYD

BRITAIN'S POWER plant industry still waits for the steady ordering programme for nuclear—or any other—power stations which would release it from its constant fears of plant closures and layoffs.

Worst affected is Northern Engineering Industries — the merger of boilermakers Clarke Chapman with turbine generator manufacturers Parsons—whose Newcastle plants badly need assurance of much, if not all, the work on the projected advanced gas-cooled reactor stations at Heysham and Torness.

Painfully aware that, even if this comes its way, the UK economy cannot support the kind of business growth NEI must have, it has boldly launched out internationally aiming to increase its exports from around £190m, or 25 per cent of sales, to a healthier 40 per cent.

Last year, Christopher Thompson, previously international director of Rockwell International, was brought in as chairman of the newly-formed NEI International.

Thompson is no newcomer to the group. He was a member of the Board of the John Thompson Group, of Wolverhampton, which merged with Clarke Chapman in 1970 and he remained on the Board of the combined group as a non-executive director after joining Rockwell.

Since becoming chairman of NEI International, Thompson has spent six months finding out what the company had in the way of overseas representation, and he has now presented a general plan to the Board.

He has enlisted the services of two experienced consultants—Viscount Montgomery, son of "Monty," who has had wide experience of Latin America, and Sir Peter Tennant, now president of the London Chamber of Commerce, with a diplomatic background in Scandinavia, who will advise on Western Europe. Also, within the company, he found an old hand on trading with Comecon countries, Mr. Friedman.

NEI International will have offices in Africa, the Hague, Bahrain, Saudi Arabia, Singapore, Hong Kong, the U.S., Caracas and Buenos Aires: some are new, and other offices have been closed down. Thompson's major objective is to get information flowing up from his agents, while his consultants will open high-level doors and hopefully identify projects long before they appear on the open market.

Joint ventures

He recognises, as has the NEI main board, that a company wishing to reverse the UK's long-standing decline in markets like Latin America will have to be far readier than previously to engage in joint ventures, and invest in plant in the countries in which they wish to make sales. This will not mean, he believes, that domestic production will suffer: joint ventures generally foster orders from the main plants in the UK and in any case, there is rarely a choice between joint venture and direct sales.

Besides Latin America, China is for NEI, as for many other UK countries, a prime target. The company has bid more than £1bn worth of plant there: the bulk of it is contained in the bids for two complete, coal-fired power stations, but there is coal machinery and steel plant equipment in the package as well.

Thompson knows that the work is there, and certain it can be obtained with a high-powered, selective — "rifle rather than shotgun" — approach which he believes he has now developed. Much rides on his being right.

LOMBARD

Case against oil conservation

BY SAMUEL BRITTAN

IS THERE any point in exhorting people in Western countries to save oil or any other form of energy? The boomerang effect of such appeals is almost self evident. The more people are told not to go in for panic buying, the more rational it becomes for them to stock up, so as not to be the mugs who are caught without any petrol.

The world market price represents the real cost of oil to the British economy, in terms of other goods that could be obtained by exporting an additional barrel. Let us suppose that the consumer pays, if not the day-to-day spot price, at least the average market price over a period of months. Is anything gained by asking him to "save" more energy than he would in any case be inclined to do? Is there a case for imposing further limitations on oil consumption in Government departments over and above what the cash limits and the price rises will in any case encourage? This links with more fundamental questions, such as whether we need conservation policies to prevent oil being extracted too quickly (or too slowly) from the North Sea; or whether governments should insist on low petrol consuming cars from manufacturers.

Investments

All such conservation measures are basically investments in keeping oil in the ground ("extraction hold backs") and can be analysed in a similar way to the case for public stockpiling of commodities. The case for investing in oil stocks, whether in the ground or in tanks, is the same for the private buyer as for governments.

The circumstances in which it pays Governments to stockpile, or conserve oil, or exhort others to do, are the same as the one in which it pays individuals to defer consumption of their own accord. The price of oil must be expected to rise by more than the rate of return on alternative investments. If not there is a social as well as a private loss in oil conservation.

Fortunately we have some direct evidence on what would have been the result in the past of a government strategy of "conserving national resources." Three American economists[1] have looked at 14 "depletable resources." They have calculated what would have been obtained by selling these resources in 1900 and investing the proceeds in the open market.

They have then calculated the break-even 1975 price of these same commodities which would have been required to give an equivalent rate of return. They have used four alternative rates of market return—bond yields, the rate of inflation plus 2 or 3 per cent, and the rate of return in manufacturing.

For instance, a dollar invested in 1900 in top class bonds would have been worth by 1975 over six times as much as a dollar invested in iron ore. A dollar invested in 1900 at the manufacturing rate of return would have been worth nearly 13 times as much as a dollar invested in copper. In not one of the 14 cases—not even petroleum—would an investment in these commodities have been a better proposition than the corporate bonds—which gave the lowest of the alternative rates of return; and this is abstracting completely from storage costs.

Experience

Of course, over shorter periods experience was more varied. Even so over 66 per cent of the years firms would have made losses if they had held back production or sales in the hope of future gains. The inference from this, explained by the authors, is that if anything private enterprise has been extracting resources too slowly rather than too quickly.

There is basically only one reason why the social return to some forms of energy saving might be higher than the private: this is that a cut in Western consumption might help to puncture the OPEC cartel, whose members use production controls to boost artificially the market price. The argument holds water only for the consuming countries as a whole and not for a single country which (if it is not the U.S.) is a small part of the total oil market. Even if such a concerted programme can be evolved, physical controls or exhortation are still unnecessary. All that is required is an oil and energy-equivalent tax, and the market can do its work. The revenue from such taxes could indeed be used to redistribute income so that the poor were actually better off as a result. A cartel-busting operation is, however, by its nature short term and is no argument for a long-term depletion policy.

[1] *Does Resource Conservation Pay?* by G. Anders, W. P. Gramm, and S. C. Maurice. *International Institute for Economic Research, Green Hill Publishers, Post Office Box 738, Ottawa, IL 61350, Canada.*

Royal commission backs the status quo

THE LEGAL profession can breath a heavy sigh of relief now that the three years of scrutiny by the Royal Commission on Legal Services is over. For, if the leaked reports are anything to go by, the established professional values and practices have come through unscathed. Nothing much, it seems, needs to be changed in a profession that gives excellent value for its services.

(Quite the most revealing picture of the Commission's endorsement of the status quo is given in this week's edition of The Economist which was actually at the elbow of each Commissioner as he signed the report, multiple dissents and all, last Friday).

But before the reformers wail at yet another success by a professional elite in protecting itself against the winds of social change, they should remember that the Royal Commission was neither designed (except belatedly when the die was cast) nor was it overly packed with lawyers.

True, the chairman, Sir Henry Benson, is an accountant with a strong sense of professional commitment, whose fellow-feeling and practical approach to professional services swept aside any notion of radicalism. But the British public, which last month voted decisively for a government deeply committed to the present structure and habits of the legal profession, will now have an independent report that matches the political mood of our times.

Half a century ago one of the wisest legal scholars in the Anglo-Saxon world, Karl Llewellyn, wrote prophetically that "the best talent of the Bar—he meant the American legal profession—will always muster to keep 'Ins' in and to man the barricade against the 'Outs'." But he went on to observe that it is not the law but society that "puts the screws on in favour of the 'Ins'."

In other words, lawyers mirror, undistorted, the very society that is prone to accuse them of social irresponsibility. Today the professional elite still protects the "Ins," though admittedly places fewer hurdles in the path of the "Outs."

Vital concern

In doing so, the profession both reflects and reinforces the gulf which persists between democratic ideals and the values of a service still wedded to a past age that almost exclusively required assistance in maintaining their property interests. The protection of civil liberties was a vital but comparative rare concern.

The democratic ideal is that the practice of the law should be a public profession and not a private club. Justice should be defined not only by process but by product. Is the result of a lawyer's service measured by the interests of clients and the needs of society? Legal services should exist by right to every citizen and not as a privilege to the few.

Much that has happened in the last 30 years has slowly fudged the stark disparity of the past. Legal aid has brought some much-needed relief to the poor. The growth of the neighbourhood law centres has lately begun to fill a yawning gap in legal services to the mass of the population.

THE WEEK IN THE COURTS

BY JUSTINIAN

The Royal Commission is likely to endorse these developments, and even build upon them. But the essential structure in which these reforms have taken place will remain as fortress-like as before.

Given the innate conservatism of the British public, it would be almost eccentric for a Royal Commission to contemplate, let alone recommend the overturn of one of society's most entrenched institutions. It will be a pity, therefore, if a large number of sensible proposals for furthering the trend of recent years were dismissed, simply because on major issues the Royal Commission comes down in favour of the "Ins."

Already the Press is singling out the solicitors conveyancing monopoly as the most important issue the Commission has had to grapple with. The rumour is that by a majority the Royal Commission supports the retention of the conveyancing monopoly, and even the tightening of the Law Society's grip on it by giving greater powers to control the activities of unqualified persons in drawing up the legal documents for the sale and purchase of house property.

Of all the reforms that looked most likely to tumble out of an independent committee's review, this restrictive practice seemed the prime candidate for the chopper. Here a sense of disbelief will be the reaction of the public to the maintenance of this monopoly, such that nothing else which the Royal Commission proposes may catch the ear, let alone the eye of the ordinary citizen. And yet there will be much in the report that should be applauded and adopted.

The other issue which will arouse the hackles of the reformers is the thumbs-down to the fusion of the profession. There has always been a powerful lobby, led by the indefatigable Lord Goodman, against the bifurcated profession. If the arguments for keeping barristers and solicitors separate are on the face of them not strong, there seems little positive virtue in a merger unless and until much more radical changes in the profession were to be made.

In any event, that merger is likely to come of its own accord since public money, which increasingly sustains the barristers through a larger and larger criminal legal aid bill, is not forthcoming in the kind of amounts which will support separate branches of the profession. Only a wealthy country can afford the luxury of the two-tiered professional system.

Public

Once these two controversial topics are put on one side, there will be much which should attract favourable reaction from a public which does not demand too much by way of reform of legal services. Once that limitation is accepted, the work of the Royal Commission can be seen to have been of value.

If nothing else it has forced the profession to reveal itself to the public, warts and all. The voluminous evidence submitted by a range of witnesses will be available for future cogitation.

If anyone wants to find a bl print for a different kind legal profession he should able to construct a model of these voluminous outpc ings.

A notable absentee from report is likely to be the thc topic of the organisation government legal servi When Sir Harold Wilson nounced the setting up of Royal Commission in late 1! he was asked whether the ter of reference included a c sideration of a Ministry Justice to house all the le services for government.

His affirmative answer initia encouraged some members the Royal Commission to thi that at least one radical refo might emanate from th deliberations. But ultimate and confirmed by the last Pri Minister, Sir Henry Benson a his colleagues thought that th had quite enough to mastica without chewing on a very co plex issue about lawyers public service. Hence that to had been shelved for anoth day.

It is now 125 years since t legal profession last underwe the scrutiny of a Royal Co mission. There will clearly a need for another major revi by the time we turn the corn of the 20th century. By th social change and public mo more nurtured in a Europe environment will demand fresh look at our legal servic

Petingo's loss to breeders

RACING

BY DOMINIC WIGAN

THE TREMENDOUS loss to European breeders incurred by the premature death of Petingo was again highlighted at Epsom last week when Troy, Ela-Mana-Mou, Rimosa's Pet and Bonnie Isle bid for classic glory.

Troy and Rimosa's Pet are both representatives of that outstanding son of Petition who died before the zenith of his career in Ireland. Ela-Mana-Mou and Bonnie Isle are both by Petingo's new much-sought after son, Pitcairn.

Petingo, who had the misfortune to come up against Sir Ivor in the 2,000 Guineas on his year was a miler pure and simple. He patently failed to get the 10 furlongs of the Prix Lupin. Furthermore, his sire, Petition, was also at his most formidable over a mile although he did land the Eclipse Stakes. It is, therefore, surprising to say the least to find Petingo injecting so much stamina into so many of his stock.

Troy looks as though he will find no difficulty in staying a mile and three quarters. Petingo's two previous classic winners, Fair Salinia and English Prince also had stamina in abundance.

It would have been too much to expect the winner of the Oaks to score in the style of Troy in the Derby and Ile de Bourbon in the Coronation Cup, but the Oaks heroine, Scintillate, won in the style of an above-average winner of the second fillies classic. Always travelling easily in the hands of Pat Eddery, Juliette Marny's half-sister forged clear inside the final furlong to pass the post with three lengths in hand of Pitcairn's daughter, Bonnie Isle.

Scintillate, a lightly raced bay filly by Sparkler, was considered too backward to land Newbury's Sandleford Priory Stakes on her re-appearance this season. However, she obliged in clear-cut fashion from Crystal Queen and it was perhaps surprising to find her so neglected in the market on Saturday. An improving sort, she could still follow in her half-sister's footsteps by going on to land the Irish Guinness Oaks.

While L'Ile du Reve was a disappointing favourite to her backers and her trainer, Henry Cecil, at Epsom, her stablemate, Borzoi, was making a successful re-appearance in the John of Gaunt Stakes at Haydock. However, those backers who sent him to post at 15-8 on the Lancashire course must have been worrying inside the final furlong.

Borzoi after looking to have the race in his pocket, had to be hard driven to hold Spence Bay. Borzoi was meeting the Irish colt on better terms than weight for age. I somehow doubt if he is going to develop into the world beater he had been rated by many at Newmarket, including his trainer.

LINGFIELD

2.30—Trion
3.00—Prince of Sheba**
3.30—Tudor Rhapsody
4.00—Craigendowie
4.30—Skyline Drive*
5.00—Loyal Manacle***

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.38 For Schools, Colleges. 10.45 You and Me. 11.22 For Schools, Colleges. 12.00 Decision for Europe. 1.30 News. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 Deputy Dawg. 4.25 Cheggers Plays Pop. 4.45 Baggy Pants and the Nitwits. 5.05 Blue Peter. 5.35 Fred Basset.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 Ask the Family.
7.20 The Dukes of Hazzard.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "Operation Heartbeat" starring Edward G. Robinson.
11.00 Tonight.
11.40 Weather/Regional News.

All Regions as BBC1 except at the following times:

Scotland—5.55-6.20 pm Reporting Scotland. 11.40 News and Weather for Scotland.

Wales—2.18-2.38 pm For Schools (Let's Look at Wales). 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.40 News and Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
1.30 pm Over the Moon.
4.50 Open University.
6.55 Ring Around the Moon.
7.15 Mid-Evening News.
7.25 Ten Years of Yesterday's Witness.
8.10 The Waltons.
9.00 Sing Country.
9.40 Inside Story.
10.30 Verse, Worse and Baby Grand.
11.00 Return Call - to Brass Tacks.
11.10 Late News.
11.25 Heute Direkt.
11.50 Fox Watch.

BBC2 Wales only 1.30-1.45 pm Pili Pala.

LONDON

9.30 am Schools Programmes. 12.00 Chorlton and the Wheelies. 12.10 pm Rainbow. 12.30 Europe Decides. 1.20 Thames News. 1.30 Europe Decides (contd.). 2.00 Monday Matinee: "The Girl Who Came Gift Wrapped." 3.20 This Year, Next Year. 4.20 Clapperboard. 4.45 The Boy Merlin. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames at 6.
6.25 Help!
6.35 Crossroads.
7.00 Lingalongamax.
7.30 Coronation Street.
8.00 In Loving Memory.
8.30 World in Action.
9.00 Turtle's Progress.
10.00 News.
10.30 Monday Thriller: "The Beguiled" starring Clint Eastwood and Geraldine Page.
12.30 am Close: Derrick Gilbert reads poems by Ken Gill.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.00 Houseparty. 2.25 Monday Film Matinee: "Eleanor and Franklin." 5.15 University Challenge. 6.00 About Anglia. 10.30 "The Black Widow," starring Ginger Rogers and Van Heflin. 12.15 am Living and Growing. 12.45 Reflection.

ATV

2.00 pm Movie Matinee. "A Tree Grows in Brooklyn," starring Cliff Robertson. 5.15 Survival. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.15 Doctors' Private Lives. 12.15 am Something Different.

BORDER

1.20 pm Border News. 2.00 Houseparty. 2.25 Matinee: "The Pajama Game," starring Doris Day. 5.15 University Challenge. 6.00 Lookaround Monday. 6.20 The Sound Of . . . Vince Hill. 10.30 The New Avengers. 11.30 A Question of Sex. 12.15 am Border News Summary and Weather.

CHANNEL

1.20 pm Channel Lunchtime News and What's On Where. 2.00 Inside Business. †2.30 The Monday Matinee. "Fanny By Gaslight." 5.15 University Challenge. 6.00 Channel News. 6.10 Untamed World. 10.28 Channel Late News. 10.35 Feature Film: "A House Is Not a Home." 12.20 am News and Weather in French followed by Channel Gazette.

GRAMPIAN

9.20 am First Thing. 1.20 pm Grampian News Headlines. 2.00 Monday Matinee: "The Man Who Could Talk to Kids." 5.15 University Challenge. 6.00 Grampian Today. 6.05 Cover To Cover. 10.30 Reflections. 10.35 The Monday Film: "Night of the Following Day," starring Marlon Brando. 12.30 am Grampian Late Night Headlines.

GRANADA

†2.00 pm Monday Matinee: "Lady Hamilton," starring Vivien Leigh and Laurence Olivier. 4.10 Cartoon. 5.10 The Undersea Adventures of Captain Nemo. 5.15 Crossroads. 6.00 Granada Reports. 6.30 The Jetsons. 10.30 Reports Politics. 11.00 Appointment With Fear: "The Creeping Flesh," starring Peter Cushing and Christopher Lee.

HTV

2.00 pm Survival. 2.30 The Family. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.22 Report Wales. 10.35 The Monday Film. "Time For Loving," starring Joanna Shimkus and Mel Ferrer.

HTV Cymru/Wales—As HTV general service except: 2.00-2.30 pm Hamdden. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV general service except. 6.22-7.00 pm Report West.

SCOTTISH

1.25 pm News and Road and Weather. †2.00 Monday Matinee: "Lady Hamilton," starring Vivien Leigh and Laurence Olivier. 4.15 Cartoon. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Crimedesk. 6.30 Talking Scots. 10.30 The Sweeney. 11.30 A Question of Sex. 12.15 am Late Call.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Monday Matinee: "Conspiracy of Hearts," starring Lilli Palmer. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day By Day including Southsport. 10.30 Southern News Extra. 10.35 Invasion Road. 11.05 Tandarra. 12.00 Farm Progress.

TYNE TEES

9.25 am The Good Word followed by North-East News Headlines. 1.20 pm North-East News. 2.00 Monday Matinee: "Alfred The Great," starring David Hemmings. 5.15 University Challenge. 6.00 Northern Life. 10.30 Cash and Company. 11.30 A Question of Sex. 12.15 am Epilogue.

ULSTER

12.30 pm The Sullivans. 1.20 Lunchtime. 1.30 All About Toddlers. 2.00 Animated Special. 2.50 The Friends of Man. 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Ulster Television News. 6.15 Family Matters. 6.30 The Mary Tyler Moore Show. 10.30 Private Lives. 11.00 Police Women. 11.55 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.00 Inside Business. †2.30 The Monday Matinee: "Fanny By Gaslight," starring James Mason, Phyllis Calvert and Stewart Granger. 5.15 University Challenge. 6.00 Westward Diary and Sports Desk. 10.32 Westward Late News. †10.36 Feature Film: "A House Is Not A Home," starring Shelley Winters and Robert Taylor. 12.20 am Faith For Life. 12.25 West Country Weather, Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.00 Monday Matinee: "Alfred The Great," starring David Hemmings. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 Vegas. 11.30 A Question of Sex.

(S) Stereophonic broadcast.

RADIO 1

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.31 Kid Jensen (S). 7.00 Stayin' Alive. 8.00 Andy Peebles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 Tony Brandon (S). 7.32 Terry Wogan (S). 10.03 Derek Hobson (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 Ray Moore (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S). 6.45 Sports Desk. 7.02 Music from the Movies (S). 7.30 Sports Desk. 7.33 Allan Dell including 7.33 The Dance Band Days and 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 9.55 Sports Desk. 10.02 Pros and Cons. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight including 12.00 News. 2.02-5.00 am You and the Night and the Music with Len Jackson (S).

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Overture, part 1 (S). 8.00 News. 8.05 Overture, part 2 (S). 9.00 News. 9.05 This Week's Composer: Bach (S). 10.00 Talking About Music (S). 10.30 Bach Violin Sonatas (S). 11.10 Graham Whettam and Beethoven (S). 12.00 BBC Symphony Orchestra (S). 1.00 News. 1.05 BBC Lunchtime Concert (S). 2.05 Organ Music (S). 2.45 Matinee Musicale (S). 3.45 New Records (S). 4.55 Bandstand (S). 5.25 Homeward Bound (S). †5.45 News. †5.50 Homeward Bound. †6.15 At Home: Concert. 7.10 Bach Cantatas (S). 8.00 Pollini Plays Mozart and Beethoven, part 1 (S). 8.50 The Psychology of Sex (talk by Dr John Johnson). 9.10 Pollini Plays Mozart and Beethoven, part 2 (S). 10.00 Weber's Clarinet Quintet (S). 10.30 Moments of Being. 11.00 Roy Harris (S). 11.25 Jazz in Britain. 11.55-12.00 News.

VHF only—6.00-7.00 am and 5.45-7.10 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Ray Gosling with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 Wines of Song. 11.45 Listen With Mother. 12.00 News. 12.02 pm Countdown to the European Parliament. 12.55 Weather; programme news. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 What Ho! Jeeves. 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The Monday Play: "Professional Foul," by Tom Stoppard (S). 9.00 Reflections by Annie Powell, Communist Mayor. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Conversation Piece. 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time from the House of Commons. 1.05-5.00 Join Radio 2.

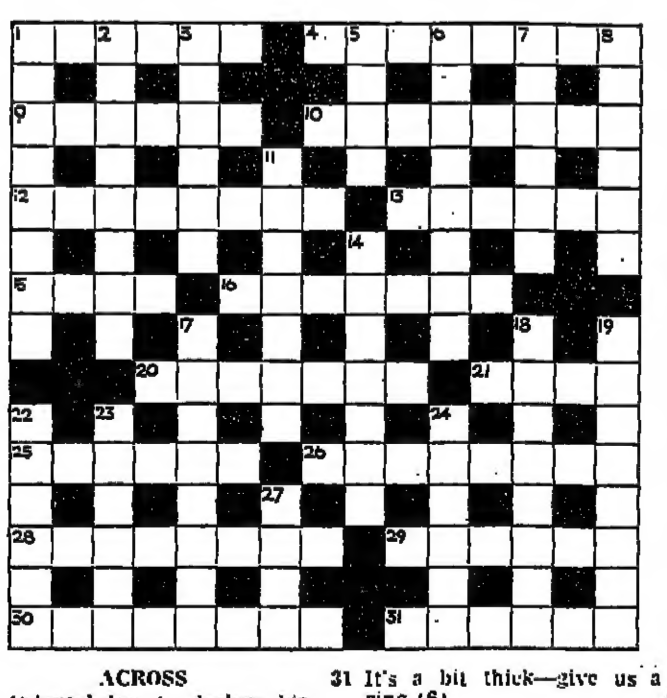
London Broadcasting

5.00 am Morning Music. 6.00 The AM Show. 10.00 Brian Hayes. 1.00-8.00 pm LBC Reports with George Gale at 3.00. 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Mike Smith's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Peter Young (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It. 11.00 Tony Myatt's Late Show (S). 2.00 am Ian Davidson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,992



ACROSS

1 Oriental has to declare his property (6)
4 Army rank has little to connect it with Napoleon (8)
9 Mountain in New Zealand is for instance one in France (6)
10 Corrupt deputy made wild remarks (8)
12 "Lives of —— all remind us" (Longfellow) (5, 3)
13 Civilised source of evil to the City (6)
15 Those against the informant, we hear (4)
16 I'm not with it—there is no way out (7)
20 Inflammation, but the lady's not for it (7)
21 Decoration within a decoration—that gets in my hair (4)
25 You need it in very truth (6)
26 A change in progress—let there be light (6, 2)
28 A world problem reveals the ill-mannered in tumult (5, 3)
29 Sanctimonious old emperor turns playwright (6)
30 Negotiating to have a meal in a Hertfordshire town (8)
31 It's a bit thick—give us a ring (6)

DOWN

1 Engineer comes up to a chap on the way out (8)
2 Cross when this is bad (8)
3 This evening in America can be explosive (6)
5 Poem right for the river (4)
6 Stampede after drink in Ireland (8)
7 Show victory in genuine surroundings (6)
8 Means of achieving success dreamed up by Jacob (6)
11 Harangues for Sappers coming up to battle (7)
14 Proverbially a fast traveller (3, 4)
17 Possibly not quite the result of a division (8)
18 Bulletin from Queen Charlotte's for Mary's husband (8)
19 Leaves the fellows after a curse (8)
22 Sleuth coming up with nothing for Virginia gets the bird (6)
23 Is it game to complain? (6)
24 There is little room for a department in Greece (6)
27 The expression of the people about one (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

:ountry Music

The fences are pulled down

by FRANK LIPSIUS

The Country Music Associa-:n recently presented a crystal :wl to President Carter. It :s a homey little ceremony :iich received wide coverage in :ıshville, and was a well-:served "howdy" and "thank :ıl" to a fellow-southerner.

Echoing a general feeling, the :ecutive director of the :untry Music Association, Jo :alker, said: "It has been very :portant to country music for :e President of the United :ates to give it the respect he :has."

Certainly, country music has :lowed the President from a :gional base to a national :pularity which is increasingly :ing accepted as the sound of :instream middle America.

But if the CMA really wanted :honour those responsible for :recent gain in popularity, it probably should be giving its awards to the Bee Gees, Donna Summer, or even the Village People. The rise of disco, and its blanket coverage of pop music radio, has catapaulted country music from its regional insularity.

Now that every major American city has a disco station, there is a base of non-disco programming that has seen country music increasingly combined with Frank Sinatra-style crooning and rock 'n' roll oldies, while disco usurps the air time on the pop radio stations.

New York's country station, WHN, is a good example of the growing bounds of country music. The programme director, Ed Salamon, has seen a great shift in the direction of country music. Country artists, he finds, are doing much more pop: Dolly Parton was even played on disco stations. This broadening of the range of country artists follows the earlier attempts of pop artists, like Tom Jones, to go to Nashville to do country records. As a result, WHN sounds much like a pop station. In addition, with half of its airtime going to oldies, it has incorporated into its format the old rockabilly songs which were not considered country when they came out, but certainly fit the category today. Thus, Credence Clearwater Revival, Bill Haley and Buddy Holly can also be heard on a station that covers the country field.

In the south, of course, a country music station will sound traditional, with their oldies and new songs much more likely to observe strict interpretations of the term "country." They, too, will soon catch up with the times, no doubt, judging from the taste of country music producers. On a recent trip to Nashville, I had the chance to talk with some of them, most of whom are looking to expand the horizons of their sound. Johnny Duncan cut the pop song, "Slow Dancing," after he and producer, Billy Sherrill, decided they needed a change of pace for the singer. Sherrill, who runs the CBS hit factory by recording such artists as Tammy Wynette, George Jones and Johnny Paycheck, professes to judge songs by whether they would be played on the jukebox of a bar. Then, he selects a tune that sounds like a 1940s musical dance number to illustrate the kind of song he likes. His most recent release, by Tammy Wynette, has more violins than steel guitars in it.

Other producers are looking to have their artists break into the pop music charts. They assume there is no danger in losing their own audiences by trying to extend their appeal.

But however much Nashville turns to pop, it will still remain a haven to songwriters. Disco depends much less on lyrics and melody than on rhythm and arrangements. It is the kind of sound produced in a recording studio, while country records retain their devotion to good songs. Producers' doors are always open to writers on the assumption that the song they turn down today may provide a hit for somebody else tomorrow. Many songwriters became producers and gave their artists hits. Good writers turn into their own performers, as did T. T. Hall, Dolly Parton and Willie Nelson.

The openness of Nashville to new artists and writers still lures hopefuls to pound its streets and knock on its doors. Some disguise themselves as tourists, while the really determined can be seen with tapes in their hands at almost any time of day or night. Such people would have been disturbed by the 400 singers and writers who came for a three-day conference to Muscle Shoals, a beautiful resort on the Tennessee River in northern Alabama. Last year, a poorly advertised, almost spontaneous gathering of music people resulted in a more organised meeting this year, where seminars were held to assess the state of the music business.

Complaints about restricted access to the artists and producers on major labels were expressed with unusual fervour. The decreasing number of labels in the record business reduces the outlets for new songs, especially with staff producers making so many of the records. Nashville was affected most recently by the sale to MCA of ABC Records, which had had a strong and active country roster. Not long before that, United Artists—the label of Crystal Gayle and Kenny Rogers—was sold to EMI. The concentration of labels arouses a fear that permeates the business, but it finds most vocal expression here, where expectations have always been so high. Country people resent the change and expressed special contempt for the lawyer who said he would listen to material for his clients. "What is this business coming to," asked one malcontent, "when the lawyers are screening the songs?"

Dolly Parton

Royal Court

Happy Days by MICHAEL COVENEY

Samuel Beckett's Winnie remains one of the potent, mythical characters of contemporary theatre. Forever looking on the bright side in hopeless physical circumstances, she anticipates another heavenly day encased from the waist down in a mound of scorched earth. Brenda Bruce first played the part on this stage in 1962. Since then I have seen Madeleine Renaud and Peggy Ashcroft, both of whom combined a fading, absurdly regal splendour with a strange, almost suburban wistfulness. Dame Peggy was the most resilient of Winnies, seductive and terrorised.

In the first half of Beckett's production (the first time he has directed the piece since his Schiller Theatre Werkstatt version in 1971), Billie Whitelaw comes across as a chattering Joyce Grenfell in the wake of some ghastly atomic fall-out, grabbing at her toothbrush, medicine bottle, hat, spectacles and parasol like some scatty stalwart of the WI. Turning to the half-hidden Willie (Leonard Fenton) on the other side of the mound, she chirrups the line "Slip on your drawers, dear, before you get singed" with matronly aplomb. She is more scatty than wistful, yet capable of extraordinarily sexy shoulder movements. As the heat becomes greater and her perspiration correspondingly less, the parasol catches fire. She raises her arms. Even armpits can talk.

As in his own Schiller Theatre production of *Waiting for Godot*, Beckett's pacing and feeling for the air between words is exquisite. The alarm bell is less terrifying than Peter Hall's for Peggy Ashcroft, but the stage is hotter. The opening roseate glow of each act is followed by a pervasive flood of orange light, hardening to yellow. It cannot be long before everything burns and shrivels. Jack Raby's lighting is a positive threat to Jocelyn Herbert's arid mound which does not, usually, grow in the interval to consume Winnie's bosom. After the interval, Miss Whitelaw has sunk to her neck, her eyes gleam more desperately.

For the story of Mildred, the doll and the mouse, Miss Whitelaw's voice tightens, beating out the lines with compressed fervour. The astonishing performance ends on a note of quietude, gratitude for Willie's effort to get dressed and crawl round to her side, even if he is on a fool's mission. I am not too happy about Mr. Fenton's bald wig, which crinkles a lot, but his gruffly defeatist manner is admirable and touching. A grounded walrus, a long way from home. Miss Whitelaw's tremulous singing of the final, sad waltz is, as it should be, funny, sad, almost unbearable.

Billie Whitelaw — Leonard Burt

:inchester College

Purcell's King Arthur

by NICHOLAS KENYON

legend, King Arthur and :chester are inextricably :ed. The warrior's statue :inates the town's main :et, and even our present :en was not able to dislodge somewhat absurd Round :le from its resting-place in :ichester Castle (it was :ught she might dine off it, respect for the spurious :iquity decreed otherwise). :propriate then, that as Win-:ster Cathedral starts a large :bration of its 900th anniver-:y (there is a full-scale fes-:le which starts at the end this month, and numerous :ociated events) the boys of :chester School should stage Dryden/Purcell collabora-: *King Arthur.*

:here was one snag. As the :gramme cheerfully admitted, :gretably, Dryden set his :y in Kent. But we have been :kly unperturbed by this." : location was transferred to :chester and nearby St. :herine's Hill, and a few references were changed.

Devotees of the legend may have been disappointed by the absence of Lancelot, Guinevere, Camelot, and the Holy Grail, but there was much else to entertain them. For the editors of Winchester's new performing edition, conductor Angus Watson, producer Roger Baxter, and James Sabben-Clare, played as fast and loose with the contents of the drama as they did with its setting.

Rejecting the 17th-century convention by which the spoken drama and the sung interpolations were kept separate (only two of the principals in the 1961 original both spoke and sang), the editors turned what Roger North called an "ambigue entertainment" or semi-opera into a straightforward opera with dialogue.

So each act opened not with an entirely spoken scene, but with a mixture into which Purcell airs from the last act and various other sources were, fairly convincingly, placed. The final masque was completely dismembered; the show ended a little sanctimoniously with patriotic numbers—though a Grand Dance is indicated, which is surely the magnificent Chaconne used here (and elsewhere) as an overture.

Though the procedure would surely raise purist eyebrows, the result was put across with such enthusiasm and conviction as to quite disarm criticism. Roger Baxter provided that essential ingredient of 17th-century music-drama, a real stage spectacle. Hordes of schoolboys (and girls from St. Swithun's) were marshalled with great discipline. Imaginative lighting and gauze screens helped the famous "frost" scene and the sirens' "two daughters of an aged stream" to make their powerful effect. There was some superb mime, and some splendid comic creations from the actors.

Bruce Hamilton's Grimbald (by Marty Feldman out of The Dance of the Vampires) was well matched by Richard Robert's clarion-voiced Philidel.

But the main triumph of the evening (which this edition achieved through its curious methods) was to shift the focus of dramatic attention away from the supernatural happenings, which are traditionally the province of the music, on to the central tussle of love between Arthur, Oswald, and the blind Emmeline. Jeremy Summerly and James Simpson were both well-sung paragons of good and evil respectively; as Emmeline, the diminutive Andrew Tusa gave a wonderfully sensitive performance, staggeringly real and instinctively mature: inestimable promise here. Mr. Watson's colourfully enlarged orchestra played with spirit: co-ordination with stage was excellent: In all, one of the most enjoyable evenings I have ever spent in a school hall.

Ilkley Literature Festival

Wet and Wuthering Heights

by ALAN FORREST

Once every two years the little Yorkshire moorland town of Ilkley becomes a flourishing outpost of the publishing business. Novelists, poets, literary agents, wander in the steps of the Brontës, perform on platform with the cheeky panache of pop stars, eat jumbo portions of Hull haddock at the world's largest fish and chip restaurant, and even talk about books.

This year's Ilkley Literature Festival has just ended—in the red, festival officials forecast, as the rain poured down like curtain rods. But if there is financial loss, it is not through lack of support. Events were well attended: maybe Ilkley tried to cram too much into one festival. "There are poets lying around all over the place and nobody knows what to do with them," one citizen said.

Poets do pretty well out of this kind of festival. What Tennyson would have thought about it is impossible to say, but if like Mike Horovitz you can jump up and down, range your voice over about three octaves, and produce a small son who is already a budding bard, you're in. All this, and Jeff Nuttall playing a dirty jazz trumpet, too.

But the festival was well-planned, overloaded. It started with a touching tribute to B. C. Scriven, the deaf and blind Leeds author—a play by Peter Morgan called *All the Voices Going Away* and based on Scriven's writings. This was given a world premiere in Ilkley, and the occasion was made particularly poignant by the presence of Scriven himself, a legend in Yorkshire and winner of one of the festival awards to Yorkshire authors.

A "lollipop" to launch the festival was a recital of "sound poetry" by Henri Chopin, an occasion made additionally confusing by the rather weird sound equipment at Ilkley College, and interrupted by a well-known "anti-festival freak" who accused M. Chopin of selling out to the establishment by appearing at a literature festival. "He's a Dada-ist," somebody explained.

But a festival would not be a festival without such moments. The Ilkley Lecture was delivered by Professor A. L. Rowse, with much information about the Dark Lady of the Sonnets, plus swingeing attacks on "third-rate minds and suspect scholarship." Ilkley packed the King's Hall for Robert Gittings and Francis Horovitz on Thomas Hardy and His Women—terrible doings in Dorset seem to have a particular attraction for people living on the edge of the Brontë country.

There was Jill Balcon on George Eliot and novelists Malcolm Bradbury, David Benedictus and Francis King talking about writing novels.

Bradbury's evening was interrupted by the dreaded Dadaist, and all agreed that it helped to make the festival interesting.

Ilkley has always given scope for links between music and literature. Two years ago, the festival commissioned a jazz suite from Graham Collier, based on Malcolm Lowry's novels. This time, there was nothing so ambitious, but one of the festival highlights was John Bingham and George Macbeth's *Cabaret of Lore and Death.* This was preceded by the splendid Bettina Jonic singing a pot-pourri of Brecht and Bob Dylan songs, a performance which really set the festival alight.

You can't go away from Ilkley without an affection for the people and what the Yorkshire Arts Association is trying to do. It isn't a cultural desert, but the presence of the poets and the novelists from far and wide every two years has become something rather special.

The area is crawling with would-be writers and a session like *Getting Into Print* with top literary agent Gerald Pollinger advising young writers was an unforgettable experience for most of them. There was a children's book fair and the Manor House Museum, associated traditionally with Yorkshire antiquities, was taken over by Private Eye's *Lord Gnome Collection.* The permanent bookshop in the King's Hall, where authors signed furiously, did a roaring trade.

The weather was not at its best. But some people were pleased. I treasure the picture of a soggy poet, shrouded in Pakamak and fresh off a bus from Haworth, saying: "This is the weather for the Bronte country. I've been meditating at Wuthering Heights."

With such customers, Ilkley must survive.

Arts Council Theatre Writing Bursaries

The Arts Council has approved Theatre Writing Bursaries for Richard Crane, Terry Ruane, Lesley Clive, Thomas Baptiste.

Richard Crane, who lives in Brighton, has been offered a £3,000 annual bursary. A £350 bursary has been offered to Terry Ruane of Beckenham to enable him to continue working on a play about the problems of being deaf in a hearing world. Mr. Ruane, who is himself totally deaf, is a former member of the British Theatre of the Deaf.

Lesley Clive has been offered a £750 bursary for a period of three months to enable her to devote more time to developing her writing. Three month bursaries of £750 have also been offered to Thomas Baptiste and Joyce Cheeseman.

Thomas Baptiste, a 50-year-old black actor who lives in Cricklewood, London, NW2, has been offered the bursary to enable him to complete a play about racial prejudice in industry.

:RICKET BY TREVOR BAILEY

A case for seeding and weaknesses

:E SECOND Prudential :rld Cup Competition which :an on Saturday produced :surprises and a victory in :four games went to the team :ting second. The West :lies, obvious favourites, :shed India by nine wickets :h plenty of overs to spare. :he New Zealand win over :i Lanka was equally decisive, :le less spectacular. Pakistan :ited Canada, who began well, :ore becoming becalmed by :n; and England were able to :ise home in their own time :inst Australia once Brearley :l Gooch had sensibly coun-:ed the threat of two early :ckets.

:Providing the weather con-:ues to co-operate, this international tournament should again prove to be a success. But it would have been even better if only the organisers had thought to seed four teams. Their failure to do so means that one of the stronger and crowd-drawing countries, either England, Australia, or Pakistan will be eliminated before the semifinals.

The same situation was allowed to occur in the previous Prudential Cup in 1975, when Pakistan, who came closer than anyone to beating the eventual winners the West Indies, failed to qualify. It should not have been too difficult to seed four of the six full ICC members. The financial advantages would have been considerable. It is safe to bet that the same error would not be allowed to occur in an Australian World Cup now that the marketing is in the hands of a Kerry Packer company.

The four Prudential games, all underlined one of the big weaknesses of limited overs cricket, the inevitability of the outcome when the team batting first on a good pitch fails to make a total of reasonable size. Their opponents, providing they bat to their potential, can afford to accumulate the runs required at their own selected tempo.

This is what happened at Lords, when Australia squandered the possibilities of 97 for 1 at lunch to finish with a highly unsatisfactory 159 for 9. Their slump stemmed from various factors, including the the brilliance of England in the field, with Randall and Gower especially outstanding, and the meanness of the England attack which gave little away.

Fluent

In addition, none of the tourists' batsmen played a large fluent attacking innings, which so often decide a limited-overs contest. Indeed there must be doubts whether they possess a player with the necessary quality, their tactical naivety was all too apparent as they are still coming to terms with the special requirements of the one-day game, and finally, their running between the wickets was suicidal.

Although Boycott and Brearley can hardly be described as the perfect opening pair to lead a run chase in which 240 are needed in 60 overs, a target of a mere 150 meant they could afford to graft their way home, against an attack which, apart from the distinctly rapid Hogg and Hurst, a class new-ball bowler, is limited by international standards with support coming from three typical county seamers.

From the excitement angle, the game was given the kiss of life through the sudden departure of both Boycott and Randall so that suddenly the 160 required for victory seemed for a couple of hours to be distant. However, Brearley, with difficulty, a certain amount of luck, and a considerable amount of character, and Gooch, who has been batting most impressively this summer, hung on and then eventually, to the delight of the spectators who had little excitement apart from the fielding, ventured some pleasing shots, to colour what was largely a strokeless day.

Both departed before the end, but the assault was continued with added zest by the elegant Gower and the boisterous Botham.

Having beaten Australia, which always seemed probable as this must surely be the weakest international team they have ever fielded, England should qualify for the last four but will probably need to beat Pakistan next Saturday if they are to avoid the West Indies in the semi-final. Their opponents, one expects, will be New Zealand whom they comfortably demolished in last summer's two Prudential games.

It is difficult to envisage India making a serious impression in this competition where a negative, natural and "net-bowler" like Boycott is liable to prove more effective than world-class spinners like Bedi Venkataraghavan, which could be said to constitute another weakness of limited-overs cricket.

TENNIS BY JOHN BARRETT IN PARIS

Borg's fourth French Open

ONLY FOUR days after his 23rd birthday, that remarkable Swede Bjorn Borg, won his fourth French Open and a first prize of $49,000 on an emotion-charged rainy afternoon at the Stade Roland Garros yesterday with a 6—3, 6—1, 6—7, 6—4 win over Victor Pecci, the Paraguayan giant, also 23, which spanned three hours and two minutes.

After demolishing America's Vitas Gerulaitis, 6—2, 6—1, 6—0 on Friday, Borg had started an overwhelming favourite. But there were those, including 25 tennis-mad fans and six journalists who had flown in from Pecci'e home town of Asuncion when they knew he was in the final, who believed that their hero might score another of those upsets which have been a feature of these championships.

Rampant

When he had beaten the No. 2 seed, Jimmy Connors 7—5, 6—4, 5—7, 6—3 in the semi-final Pecci had said: "I still can't believe it all. It is like a dream." Certainly his rampant service which produced eight aces and 17 unreturnable deliveries that day, had been dreamlike. But so too, had the quality of his match play. By slicing the ball low to Connor's forehand and looping it high across court to the American's double-handed backhand, he had concocted what proved to be a winning formula.

His coach, Tito Vasquez, the 30-year-old Argentine international, who has transformed his attitude to practice and training since they started working together on January 2 had believed that the confidence built from his earlier wins against seeded players—the victims were Corrado Barazzutti (Italy), Harold Solomon (U.S.A.) and Guillermo Vilas (Argentine)—might well bring him success against Connors. "Victor believes now that he can live with these great players," he said.

That opinion was vindicated when Pecci recovered from 2—5 in the third set of the final amid the disturbance of a collapsed spectator being carried out on a stretcher, to win the set in a tiebreak by 8 points to 6. For until that moment Borg had commanded the slow red clay court like the king he has proved himself to be here. In 1974, and 1975 he had won this title with impressive confidence and when he returned again last year, after two years absence, he won this third crown without even dropping a set.

The Borg formula which has proved invincible is based on fast high looping drives, to a safe length, on impeturbable concentration and on a speed of court coverage that is at times breathtaking. For four years now, he has confounded the world's greatest clay court players and there seemed no reason to believe that the relatively-inexperienced Pecci could solve the riddle.

Scared

But when the South American's fierce game began to flow with blazing forehand winners from the back of the court and daring athletic volleys the crowd rose to him. And, unbelievably, Borg faltered.

"Up to 5—2 I was playing pretty well but then I got a little scared," the world champion admitted afterwards. "Although I had the match in my hand, I could take it."

Pecci, recovering from an early service break in the fourth set, kept the match alive up to four games all. A seventh service ace in the next game helped Pecci to 40—30 but a double fault, his third of the match, proved fatal. Reprieved, a tiring Borg flashed a forehand pass down the line and then forced the larger man to hurry a backhand which he netted to lose the game.

Serving now at 5—4, Borg played a delicate backhand stop volley at 40—15 to win his title and equal Henri Cochet's record of four French titles, the only other man to hold as many.

Cochet was there with Jean Borotra and Rene Lacosta, the three surviving Musketeers, to present Borg with their Musketeers' cup—a trophy introduced this year to recognise the great part these three and the late Toto Brugnon have played in French tennis over the past 50 years.

Chris Evert-Lloyd's chillingly efficient 6-2, 6-0 win over Wendy Turnbull, on Saturday, her tenth successive victory over the Australian, gave the American world champion a third French title, from four visits here and suggests that she is at last finding the form she hopes will give her a third win at Wimbledon early next month.

These have been unquestionably the most successful French championships ever. The crowds are up by over 40,000 on 1978 and have passed the 200,000 mark for the first time during 14 days of play. The revenue is up too, over 7m new francs this year, a rise of 2m over last year's takings. And the ambitious building programme described last week has caught the imagination of the entire tennis world.

Industrial and Trade Fairs' new executive

THE setting up of a new executive has been announced by Industrial and Trade Fairs Ltd, the world's biggest independent exhibition organisers.

In addition to the company's chairman (Mr. Malcolm Lowe), chief executive (Mr. Derek Lyons), deputy chief executive (Mr. Christopher Garrett) and directors (Messrs. John Legate and Colin Mackenzie), the executive will include the managers of the exhibition teams: Messrs. R. N. Gee, E. J. Gosden, B. J. Morris, I. J. D. Robinson, A. J. M. Salmon, K. Smith and F. Winter. ITF's company secretary, Mr. T. Shepherd, will also be secretary to the new executive.

Mr. Malcolm Lowe said that the setting up of the new executive was an important development of the management structure of the company. This follows the successful reorganisation of ITF's exhibition teams into profit centres in January this year.

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Living with Mr Carter

PRESIDENT CARTER goes to Vienna later this week to sign the second strategic arms limitation agreement with the Soviet Union. He will do so at a time when he is confronted with problems all round. On the foreign policy side alone, Congress could choose to defy him any day now by voting to end economic sanctions on Rhodesia. The peace treaty between Egypt and Israel may be a singular achievement, but it has yet to be shown that it adds to stability in the Middle East as a whole. Even on SALT, the President is going to have to fight hard to secure ratification in the Senate.

Congress

On the domestic side, though not without considerable foreign policy implications, there is the continuing failure to introduce a comprehensive energy programme. The shortage of fuel produces anger at home because it is so unaccustomed, and anger abroad because America's pricing policy is seen to be too permissive. Not least, there is the problem of inflation where the annual rate is in double figures and is likely to get worse before it improves.

In these circumstances, it is not surprising that Mr. Carter's popularity should have dropped still further. It also has to be remembered that the 1980 election campaign has effectively already begun. The possibility that he may not be re-elected, and could even be rejected by his own party, can hardly add to his authority.

If there is one common thread running through the President's apparent weakness, it is his inability to get his policies through Congress. It is not that his policies or his priorities are wrong. On the contrary, Mr. Carter sought to introduce an energy programme almost at the beginning of his Administration. Yet time and again he runs into Congressional opposition.

That opposition is not united. It cannot be said that there is a solid anti-Carter bloc determined to do down the President. Mr. Carter is defeated rather by a series of coalitions which come together on particular issues. But it comes to almost the same thing: the President is in trouble because he is at odds with the legislature.

How much of that is the fault of Mr. Carter and how much is due to changes in the nature of Congress, and perhaps in America itself, are questions for the historians. What matters for the present is the situation as it is. It is not ideal, but it has to be lived with. The President is likely to continue to have a hard time of it and it may well be that his biggest single failing in the end will turn out to be the inability to control inflation. There are other issues, however, on which he deserves international support, which could yet be helpful in determining Congressional attitudes.

Sniping

Rhodesia, for example, is primarily a British responsibility. It would be a foolish and . . . act for the British Government to use an American vote to lift sanctions as an excuse for recognising the Muzorewa regime. There is no reason to believe that such recognition as this stage would end the fighting, nor that it would not provoke hostile reactions throughout Black Africa, much of the Commonwealth and perhaps the European Community as well. What is needed is a firm British statement of the need to seek a negotiated solution acceptable to all the parties involved. There could be no excuse for sheltering behind a foreign Congress whose knowledge of this subject is limited.

Equally, Mr. Carter deserves more support than he has received so far for his achievements in the Midde East. The Egyptian-Israeli treaty may have its limitations and certainly the Israelis need to be encouraged to be less dogmatic in their attitudes to the West Bank. But it remains the best treaty we have. There is nothing to be gained from European sniping at its deficiencies.

Leadership

Not least, the Europeans and the Japanese will have the opportunity at the economic summit in Tokyo later this month to stress the seriousness of the energy situation. It is not inconceivable that Mr. Carter could be helped at home by solid backing from aboard, and indeed the latest reports have it that Congress is at last beginning to believe that there is an energy problem.

At the end of the day, however, America's allies have to face the fact that — for whatever reasons — U.S. leadership is not what it was. That could change after 1980, but it would be unwise to count on it. It means that while in no way turning their backs on the Alliance, they themselves will have to take greater responsibilities around the world.

Borrowing on expectation

THE HEIR who anticipates his good fortune and winds up in the hands of the moneylenders is a familiar figure in English drama; and the trade figures for the first quarter of this year show that the British economy can all too easily slip into a similar Rake's Progress.

The actual trade performance, of course, was heavily distorted by the disruptive strikes of the winter. The subsequent spending spree in the shops is temporary for two reasons: it is made possible by the fact that wages have temporarily run ahead of prices, and has been stimulated by effort to buy ahead of the well-publicised intention of Sir Geoffrey Howe to shift the burden of tax from income to spending. It is very hard for these reasons to assess the underlying trend.

Grave mistake

It would be a grave mistake, though, to imagine that the figures simply reflect the breakdown of an incomes policy, with its attendant disorders, and the reaction to a change of Government, and can be ignored as an interval of lunacy that will pass. The figures display, though in a distorting mirror, what is a serious problem for the Chancellor.

The loudest message concerns fiscal policy. For a decade, and especially since the crisis of 1976, it has been thought that a combination of domestic credit restraint and monetary control would provide adequate guidance for the management of the economy. If fiscal policy were too lax, and demand too high, the monetary controls would give quick warning, with tight credit conditions and weakness in the exchange markets.

These guides are no longer adequate on their own. The growth of credit and money in the early part of this year was excessive, but not nearly excessive enough to finance a rise of spending £1.5bn faster than the rise in income. The excess was financed by willing lenders overseas: the inflows did not appear in the money supply, because they were spent overseas. Overindulgence is now alarmingly easy, and even effortless.

Oil wealth

This means that if the Chancellor wishes to ensure that our oil wealth is not only frittered away, but even used as security for enhanced debt, he must be very careful of the demand effects of his total policies. He intends to cut personal taxes, which is potentially almost a pure addition to demand. Unless such a stimulus is balanced by reductions in public sector demand, by effective new incentives for private saving, or by adequate expenditure taxes, the balance of payments could remain unhealthy, despite the underlying oil improvement.

Warning

Purely financial moves—the sale of public assets, or tapping the cash reserves of the oil companies, for example—are highly acceptable ways of reducing the borrowing requirement, and producing better balance in the nation's internal finances. Such measures, however, will not reduce demand or help our progress into healthy surplus.

The fact is that Mr. Healey could hardly have contrived a more vivid caricature of his own error as a warning for Sir Geoffrey. Mr. Healey's central error was to imagine that monetary rectitude would protect him from the consequences of fiscal recklessness. In 1976 the result was currency crisis and a near escape from hyperinflation. In our oil-endowed circumstances, the result could be a comparatively painless slide into still larger foreign debt. The policy message is the same: nothing can be achieved without fiscal responsibility.

BRITISH EXCHANGE CONTROLS UNDER REVIEW

Bold measures to end an era

By NICHOLAS COLCHESTER in London and GUY DE JONQUIERES in Brussels

IT is 40 years since the British resident could move his wealth abroad without the permission of the British Government; so long that exchange controls no longer seem an imposition but, like the weather, an unhappy aspect of British life.

In tomorrow's budget a combination of political change, reticent Europeanism and the appreciating worth of North Sea oil should provide the first major steps to get that aspect changed. It is precisely because the habit of exchange controls has become so ingrained that the changes promised by the Conservatives would demonstrate a fresh approach to government and a fresh attitude to Europe.

The expectations are high: the Confederation of British Industry says they are "at roof level" and that there will be a great deal of disappointment unless there are "bold measures." In the City, too, the sense of anticipation is strong. "I think we stand on the threshold of a new era in this regard," Lord Roll, the chairman of Warburgs, said recently.

If this era develops it will probably, with hindsight, appear to have begun in 1977. The last brick in the complex edifice of British exchange controls was laid in November 1976, when the Government decided to prevent British banks from using sterling to finance trade deals between other countries.

This was a fitting end, because it forbade the activity which had first propelled the City past Amsterdam as the world's leading financial centre in the early nineteeth century, and because it was a nice demonstration of diminishing returns. It threatened to put a stop to a valuable "invisibles" business for ever. The tradeoff was a once-and-for-all boost of about £1bn to the balance of payments as international traders repaid their sterling debts without being able to incur new ones. Ironically this money flowed in when it was no longer needed.

controls seem almost immovable.

In 1961 controls on capital flows were fairly lax, the pound was stable and the investment currency premium was close to zero. British industry was allowed to invest abroad at the official exchange rate. That freedom disappeared in 1962 and from then on the controls tightened as the pound became more vulnerable.

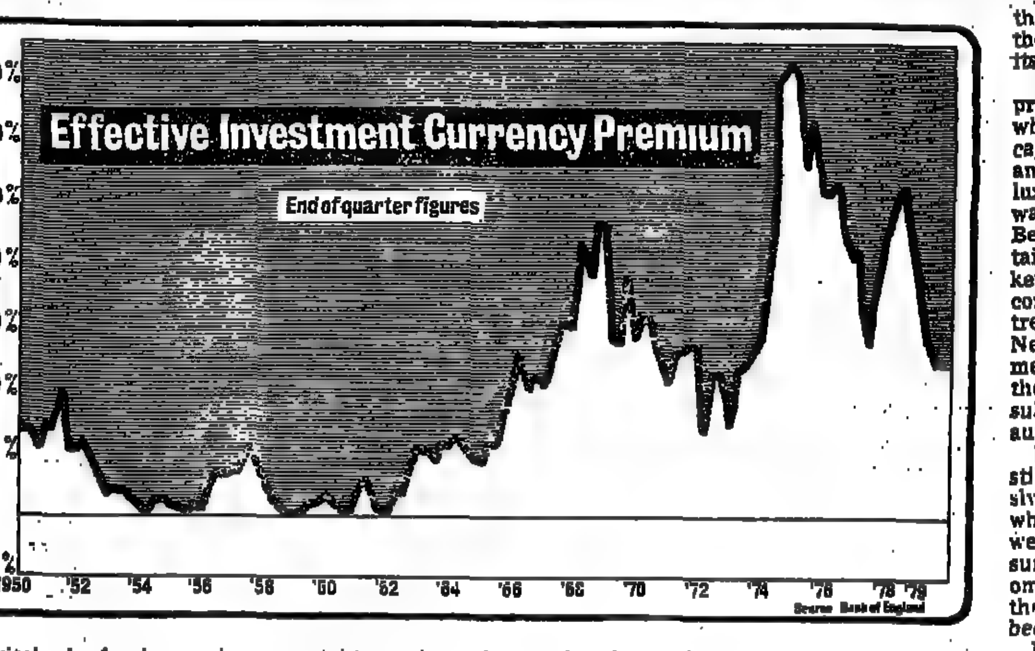
One key event along the way was the imposition of the 25 per cent surrender rule in 1965 to provide a limited shot in the arm for sterling. Anyone selling premium investment had to use one quarter of the foreign currency proceeds to buy pounds at the much more expensive official rate. Another was the introduction in the same year of the "supercriterion" which allowed part financing of direct investment abroad at the official rate only if the pay-off

relative decline have undermined this thesis:

● The change of Government and the political climate. Because exchange controls are part of the apparatus of a planned economy and because they are judged to hold the noses of the British rich to the British grindstone, they have always been associated with the Left. The Conservatives are better placed politically to dismantle them:

● The mounting feeling that they are bad for Britain in its current circumstances. Britain has a new and increasingly impressive crutch under the sterling exchange rate—North Sea oil. Not only can it dispense with the old crutch, the argument goes, but it should extend the period of oil wealth by investing overseas, both directly and through purchase of securities;

● The need for a realistic exchange rate. British industry



to Britain in foreign exchange was very rapid.

In late 1971 Britain's exchange controls had reached their most complex state when a temporary bout of strength for sterling led to the introduction of inward exchange controls in addition to the outward ones. For this transient period financial fortress Britain was complete.

A number of factors have now combined to make a gradual phase-out of Exchange controls thinkable:

● Mounting scepticism that they do any good. In his Commons speech advocating the 1947 Exchange Control Act, the Chancellor of the Exchequer, Mr. Hugh Dalton, said "In the prewar days there was freedom for any man to export his capital, and there was misery in this land. Those two facts were not unconnected." Since then, 30 years of persistent

The dollar premium

The 1976 decision capped a trend towards increasing toughness which stretched back to 1961. The chart of the effective dollar premium is a rough guide. It is pushed upwards by a combination of the relative desirability of non-sterling to sterling investments and the market's judgment of the determination of the authorities to hinder non-sterling investment. It therefore peaks when the pound is weakest and when exchange

might perform better in the export markets if the boost to the pound provided by the oil were not re-inforced by the support implicit in exchange controls;

● The obligations of EEC membership. Britain is obliged as a member of the Community to remove exchange controls between itself and the other member countries.

It was really European pressure that first prodded the British Government towards a dismantling of exchange controls in 1977. Britain was formally obliged to remove capital controls by January 1978, and it was late in 1977 that the Labour Government made a gesture in the required direction by making the changes listed in the table.

The state of UK compliance was due to be scrutinised again by the Commission at the end of last year, and there had been

hopes in some quarters that this review would lead to further relaxations. But the deadline passed almost unnoticed, and the then Chancellor of the Exchequer, Mr. Denis Healey, prevailed upon the Commissioner for economic and monetary affairs, M. Francois-Xavier Ortoli, to agree to an indefinite extension of existing regulations. Quite clearly, the European pressure was off.

Britain's EEC obligations stem directly from the Treaty of Rome, in which the establishment of freedom of capital movements between member countries is spelt out as one of the EEC's main objectives. The precise rules were laid down in an EEC directive approved as long ago as 1960.

The directive divided capital movements into four categories. The first two, in which the removal of all exchange controls was intended to be mandatory, comprised direct investment and the purchase and sale of quoted securities. The second two categories, which governments were urged, but not legally required, to liberalise immediately, covered the issuing of securities abroad, medium-and long-term borrowings, investment in short-term money market instruments, personal capital movements and several other types of transaction.

Britain avoided complying with these requirements by invoking a safeguard clause in Article 108 of the Rome Treaty. This allows the Commission to grant an exception from the rules any country which is "in difficulties or is seriously threatened with difficulties as regards its balance of payments . . . where these difficulties are liable . . . particular to jeopardise the functioning of the Common Market or the progressive implementation of the common commercial policy."

The main argument deployed so far by the UK Treasury in defence of the UK's exemption is that Britain's position does not look so healthy when its official external debt is deducted from its foreign exchange reserves, leaving a slender cushion of "net reserves."

The Commission is running a small though distinct legal risk by agreeing to the continuation of Britain's panoply of controls in present circumstances. Under EEC law, any individual or company is entitled to challenge the exemption in court. If such a case were brought—and none has been so far—it could force a searching examination of how effectively the Commission has been carrying out its obligations under the Rome treaty.

Why then was Britain not pressed harder to relax its controls at the end of last year? One reason was that the Commission feared the issue could create additional complications for the European Monetary System, which was then under intensive negotiation. With Britain staying out of the EMS, it was under less pressure to dismantle controls from France and Germany.

True freedom of movement

Another reason is undoubtedly that Britain was by no means the only EEC country dragging its feet.

Only Germany can claim at present to be operating a policy which allows true freedom of capital movements, both within and outside the EEC. The Benelux countries have gone a good way towards this end, though Belgium and Luxembourg maintain dual foreign exchange markets in which financial and commercial transactions are treated separately. In the Netherlands, portfolio investment is free of restrictions, though direct investment is still subject to official licensing or authorisation.

France, on the other hand, still has in place a comprehensive battery of controls, some which date back to 1936. These were supplemented by measures taken during the economic crisis in the late 1960s, though a number have since been removed.

In Italy, freedom of capital movement has been severely discouraged since 1974 by a requirement that up to 50 per cent of the value of most direct and portfolio investment abroad should be deposited domestically. Denmark subjects both inward and outward investment transactions to controls and effectively prohibits residents from purchasing foreign securities.

For many of these other members of the Community the oil price rise which has helped sterling has been a burden. While the new price level is encouraging the British Government to relax exchange controls, it is logical to assume that our neighbours' enthusiasm today for the removal of barriers to European capital flows is not what it was.

The advent of the European Monetary System may have been intended to lead to the removal of some of these [barriers], at least between the countries taking part. B[ut so] far, predictably, the re[verse] has been the case. Irelan[d was] forced to introduce new r[estric]tions on capital mover[ments] when it broke the link be[tween] the Irish pound and st[erling] soon after the EMS began[. The] current strains within [the] system make it more, r[ather] than less, likely that parti[cipat]ing countries will mai[ntain] existing curbs for the for[esee]able future.

As well as casting a sh[adow] over the prospects of the [EMS] ever developing into much [more] than an enlarged "snake," [the con]tinuation of exchange cont[rols is] likely to impede pro[gress] towards the more practical [but] no less difficult, goal of cre[ating] a common market in fina[ncial] services. Several EEC direc[tives] aimed at harmonising [condi]tions of competition in ba[nking] and insurance have [been] approved during the past [few] years, and a proposal that [would] remove restrictions on [unit] trust sales throughout the [Com]munity is currently under [discussion] in the Council of Ministers.

The UK has long argue[d for] the creation of a fin[ancial] common market, from [which] it stands to gain a good [deal]. But however far the EEC [coun]tries manage to go in ali[gning] their internal regula[tions,] such a market is unlikel[y to] emerge while capital [move]ments across frontiers [are] constrained.

In short, Britain is no[w in] an almost unique positio[n to] display European virtue [by] relaxing exchange con[trols] and do its European inv[isible] earnings a long-term favo[ur in] the process.

Industry and the City [a]wait confidently for the Government to make the ne[ces]sary moves. The Confedera[tion] of British Industry has as[ked,] above all, for greater free[dom] for British companies to in[vest] abroad, to finance that in[vest]ment in the best way, an[d to] decide freely what they do [with] their foreign earnings.

Speaking for the City, [the] Committee on Invisible Exp[orts] puts freedom to use sterlin[g for] third country trade at the [top] of its list, followed by [the] freedom to re-invest pr[ofits] overseas and to hold for[eign] currencies to match over[seas] liabilities. More cautiously[, it] advocates a "gradual phas[e-]out" of the investment curre[ncy] pool—aware, no doubt, that [its] outright abolition would ca[use] a sudden and painful drop [in] the UK value of Britain's e[xist]ing overseas investments.

A really eye-opening cha[nge] would be any abandonmen[t of] the presumption, implicit [in] exchange controls since t[heir] introduction during the sec[ond] war, that it is only the ge[ner]osity of the authorities [that] allows the British resident [to] acquire foreign currency at [all.] Given that sterling's reviva[l is] so recent, such a change se[ems] too much to hope for—but [if it] came, it would be te[lling] pointer to Mrs. Thatcher's s[...]

Recent relaxation of UK Exchange controls

(Resulting from EEC Obligations)

1 An increase in the amount of money emigrants can take out of the UK, with the amount allowable to those going to EEC countries raised to £80,000.

2 The abolition of the 25 per cent surrender rule from January 1, 1978.

3 An increase in the basic travel allowance from £300 to £500 per trip with the amount for business trips raised from £75 to £100 per day.

4 An increase in the permitted size of gifts and personal loans to people abroad, especially within the Community.

5 The "supercriterion" for direct inve[st]ments in the EEC changed to require pa[y]back within 3 years rather than 18 month[s]. The amount which can be financed at th[e] official exchange rate raised to 50 per ce[nt] or £500,000, which ever is the greater.

6 Investors may borrow foreign currency [to] buy foreign currency securities issued [by] European institutions, like the Europea[n] Investment Bank.

7 Foreign companies may finance all dire[ct] investment in the UK with locally rais[ed] sterling.

MEN AND MATTERS

Awkward acres for Lord of Scone

Tories excepted, Scotland was far from enthralled by Mrs. Thatcher's choice of the 8th Earl of Mansfield to be Minister of State at the Scottish Office. As well known for his hunting, shooting and fishing inclinations as for his political acumen, the earl has a 33,800-acre estate around Scone Palace, his Perthshire stately home.

So today the earl will be at pains to prove that he does know something of agriculture in the Scottish Highlands. He will be showing off to the Press his prize-winning Highland and Jersey cattle; if the weather proves wet, he will give a lecture in a cowshed.

Although the earl's estate is quite modest when compared with those of some of his aristocratic neighbours, it does rather set him apart from the hard-pressed crofters and similar Highlands folk. Land ownership has a bad name in Scotland just now, because of some scandalous evictions by owners who want their estates exclusively for sport or as holiday homes.

There has also been a ceaseless influx of foreigners, who can generally outbid the locals.

So far, the new Minister of State has not unburdened himself about these sensitive issues. But he is unlikely to show much enthusiasm for the rather radical demand of the Highlands and Islands Development Board for compulsory powers to expropriate the land of lairds who take their feudal powers too seriously.

Today's encounter with Scottish journalists is something of a curtain-raiser to his meeting on Thursday with the Highlands and Islands Board members. Whatever he thinks of them, I hear that they, in fact, do not have too bad an opinion of him. The Scone estates are among the better managed in Scotland.

The 48-year-old earl also has it to his credit that he is a former director of the General Accident Insurance Company, one of the more compassionate of the institutional Highland landlords. Incidentally, he is correctly entitled, for some arcane reason, the Earl of Mansfield and Mansfield; but he is commonly known as just one of himself.

"He's been pre-Budget stockpiling—brandy on the left, petrol on the right."

Flying workers

One of the joys of spring for Britain's beekeepers is the increasing use of hives to pollinate fruit farms—a process which increases the yield by about 40 per cent. An enterprising beekeeper in Cheshire found his hobby expanding so fast that he set up a company called Rent-a-Hive, and now makes a regular trek down to Kent with bees and specially-designed hives.

Bees do not, apparently, object to travelling. "When you let them out in Kent they think it's Christmas," says their proprietor, Sydney Hollingshead. His charge of £12 a hive sounded extremely cheap, until he explained to me that an average commercial orchard needed about 45 of them. "Ideally you need one per acre, but most fruit farmers take a hive for every two acres. The cost is nothing compared to chemicals, which is anything up to £70 to £100."

The bees make no attempt to escape, working themselves to death with habitual busyness.

Bridget battered

Hugh Trevor-Roper, most distinguished British authority on the life of Hitler, has at last spoken his mind on the vexed matter of Bridget Hitler's memoirs. In a forthcoming issue of the New York Review of Books he mounts a frontal assault on the validity of the "memoirs" of the Irish wife of Hitler's half-brother. These assert that young Adolf spent six months in Liverpool in 1912.

"I think the memoirs are the creation of a practised literary hack," Trevor Roper told me at the weekend. "I do not know who—they are unfinished, and I think death intervened."

He is, however, convinced that Patrick Hitler, the Fuhrer's nephew, is still alive, eking out an impoverished old age under an assumed name somewhere in the United States. "I know somebody who met him nine months ago," says Trevor-Roper.

This is one point on which the historian agrees with journalist Michael Unger, who edited the memoirs for publication here and in America. "If I had the time," says Unger, deputy editor of the Liverpool Daily Post, "I could go and find him, I'm sure. All the royalties from the book have been put in trust for any member of the Hitler family who appears."

But Unger rejects any idea that the memoirs, deposited in a New York library in 1959, are an utter fabrication. As for the visit to Merseyside, he keeps an open mind on that.

One thing is sure. We have not yet heard the last of Hitler in Liverpool. A TV production, based on Beryl Bainbridge's novel, Young Adolf, will be on the screens soon. "You can't fault her," says Trevor Roper. "That is a work of imagination, no more."

Faith from oil

Libya may have enjoyed scant success in its last-ditch support for President Amin. But this does not weaken Colonel Gaddafy's resolve to use his oil wealth to spread the message of Islam further south in Africa. I see a tender notice in the latest edition of the *African Gazette* for the building of a large religious centre in Bujumbura, capital of Burundi.

That could seem of minor significance until one realises that the financing, for a mosque, meeting hall, school clinic, and other buildings, will come from Tripoli — from the Joint Organisation for Establishing Islamic Cultural Centres.

Burundi, a former Belgian trust territory, has a 3.8m population which is predominately Catholic; only 1 per cent is Muslim. But the country is strategically placed in the very heart of Africa, with borders linking it to Tanzania (which overthrew Amin) and to unstable Zaire.

Watergate stake

Britain's miners may soon have an interest—albeit an indirect one — in one of the world's better-known pieces of real estate. Bouverie Properties, a subsidiary of the National Coal Board's Pension Fund, is bidding $150m for a Californian property company with a share in the Watergate building in Washington.

Continental Illinois Properties, which Bouverie is after, was involved in a partnership which bought the Watergate for $60m at the start of 1977, two years after the Nixon resignation.

Observer

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FINANCIAL TIMES SURVEY

WORLD BANKING

PART TWO: PART ONE APPEARED ON MONDAY, MAY 21

Innovations in banking have spread rapidly across the world as international events have thrown national economies closer together. This section of the survey looks at how the pattern is likely to develop.

Package service is modern aim

By Michael Lafferty

THE EXPANSION of the universal banking concept is one of the most outstanding trends in international banking today, according to a study* published recently by the London-based Inter-Bank Research Organisation (IBRO). This means that in most of the major industrialised countries of the world the leading commercial banks have become general purpose banks, offering a wide range of services to corporate and personal customers. The services generally include mainstream banking, short and medium-term lending, modern payments systems—and peripheral services such as corporate finance advice, investment banking and portfolio management.

IBRO found that universal banking, in one form or another, is now prevalent in Germany, France, Italy, The Netherlands, Switzerland, Sweden, Japan and the U.S. This is particularly so when the activities of the banks' subsidiaries are taken into account. It is also the case with the clearing banks in the UK.

But first, what is meant by "*universal banking?*" The expression appears to have a number of different meanings. As far as commercial banks are concerned the two main characteristics are said to be involvement in medium and long-term lending, and in investment banking.

Involvement in the provision of medium and long-term finance to industry is now fairly commonplace in banking around the world. In addition, banks in several countries are now involved, directly or indirectly, in the provision of mortgage finance for home buyers. In the latter category, the UK banks are in the minority in that they have not yet achieved any significant involvement in home loans. However, the position is changing. Lloyds Bank has already launched a mortgage scheme for houses costing more than £25,000; the Trustee Savings Banks are about to announce a general scheme for loans up to £25,000, and other clearing banks are clearly interested in becoming involved.

Investment banking, the other characteristic attributed to universal banking, implies close involvement by the banks in the stock market, as well as the provision of advice on corporate finance, the management of issues of shares and bonds, the preparation of mergers and take-overs, and other related activities. IBRO found that the major banks in most of the countries surveyed engage in some investment banking, mainly through specialist subsidiaries.

The main exception is the U.S., where commercial and investment banking are still legally separated by the provisions of the Glass-Steagall Act of 1933. However, this restriction applies only to the domestic operations of the U.S. banks; most of the majors are indeed heavily involved in investment banking through overseas subsidiaries in places like London.

Increasingly, indeed, the U.S. banks are providing the full range of banking services in competition with the British clearers. This is another feature of the universal banking phenomenon. No longer is universality a domestic objective for banks: it applies just as much in their international activities. The process is no longer one-way, from the U.S. to Europe.

In the past year or so just about every significant bank in the world has probably considered how to get into U.S. domestic banking. Those that succeeded so far include National Westminster and Standard Chartered from the UK. In addition, Hongkong and Shanghai Banking Corporation and Algemene Bank Nederland are still awaiting permission to make acquisitions. The rush has not just been to acquire commercial banks. Barclays Bank, for instance, is proposing to take over American Credit Corporation, a finance company with consumer lending, factoring, leasing, and insurance interests.

Other examples of the spread of international universality include the tendency among U.S. banks to swallow their London-based merchant banking subsidiaries, as well as the decline of the whole concept of consortium banking. The consortia, indeed, can be seen as a first step in the provision of international banking services by domestic banks. Now that these banks have gone international themselves there seems little point in remaining in consortia, unless these provide specialist services outside those available from the participating banks.

Investment banking is an expression also used to describe equity participations and direct involvement in industrial management. But formal involvement by banks in the ownership and control of industrial companies is not at all common. In the Netherlands, Italy, Sweden, Japan and the U.S. there are restrictions on the *permissible* extent of a bank's equity investments. In France deposit banks are restricted but investment banks hold substantial industrial interests through their financial holding companies. The outstanding exception is of course Germany, where banks have traditionally had large shareholdings in industrial enterprises.

The position of the German banks can be traced back to the nineteenth century origins of German industrialisation. With a shortage of wealthy individuals able to make risk capital available, German industry looked to the banks for funds. The banks came up with the initial funds, and *subsequently managed the issue* of shares or bonds to repay the initial loan. The close ties thus developed were further strengthened when the banks were forced to acquire large shareholdings in industry in exchange for loans during the crises of the inter-war years.

The banks, as universal institutions, were able to play a major role in the financing of the reconstruction effort after the last war and of the subsequent expansion of German industry. They have also taken an active part in arranging mergers and take-overs, and have occasionally used their strength to prevent the purchase of stakes in German companies by "undesirable" elements.

The involvement of the German banks has, however, also *given rise to allegations* of excessive control over industry, especially with regard to three aspects of their involvement, the size of some of the equity stakes, the representation of shareholders' voting rights, and the presence of bankers on the supervisory boards of many industrial and commercial companies. The banks reject this criticism, stressing the independence and autonomy existing between the managing and supervisory boards.

The shareholdings have prompted the German Monopolies Commission, an independent advisory body, to recommend that no bank should hold more than 5 per cent of a non-financial company. In addition, a law has been enacted limiting to 10 the number of board appointments that may be held by a single person, in response to the revelation that Mr. Hermann J. Abs, chairman of Deutsche Bank, held 30 board posts.

Only two months ago Count Otto Lambedorff, the West German Economics Minister, told *the banks they would have to* accept limits on their influence over industry. Count Lambedorff said he favoured limiting to 15 per cent the holding of any bank in a non-banking company. Though this is much higher than the Monopolies Commission suggested it is considerably lower than the 25 per cent limit expected to be proposed by the *Apel Committee which has been* looking into long-term issues of banking reform in Germany since 1974.

Quoting some of the Monopolies Commission findings, including the fact that banks own 10 per cent of all shares in public companies Count Lambsdorff said these holdings had nothing to do with the banking business.

CONTINUED ON NEXT PAGE

* *Banking Systems Abroad*, *Inter-Bank Research Organisation, Moor House, London Wall, London EC2Y 5ET; price £4.95.*

CONTENTS

Articles on this and the opposite page review selected sectors of banking where some notable developments are occurring. These changes reflect in many ways the spread of internationalisation.

SAVINGS BANKS

A growing force

BRITAIN'S Abbey National Building Society and Japan's Taiko Sogo bank have little in common except that they have both been in the news lately and both in their own particular ways reflect some of the pressures now building up on the various types of savings institutions around the world.

The Abbey National raised a few eyebrows recently by becoming the first British building society to open a branch in Europe and Taiko Sogo has also been the subject of some speculation following its recent rescue by other Japanese banks.

Abbey National's decision to go into Europe is symptomatic of the direction in which even the most conservative of savings institutions, the building societies, are going. The Abbey National has been very successful here in Britain but inevitably the market is limited and if it is to continue growing it must look abroad.

Although the Abbey is not a bank it is an important savings institution and in many respects it is following in the footsteps of the German and Italian savings banks and looking overseas for its growth. The only difference is that it is about 20 years behind.

Like the Abbey, Taiko Sogo bank of Nagaoka City is another type of "savings bank." It is a mutual bank and hence is more akin to our own Trustee Savings Bank or the German Volksbanken than a building society. It ran into difficulties because of its overcommitment to property financing.

Chased

In common with other Japanese mutual banks Taiko Sogo was facing fierce competition from the larger regional banks for its corporate customers while the smaller credit unions were siphoning off the bank's private clients. Against this background it chased after risky new lending opportunities to make up for the loss of its traditional business.

There are vast differences between the circumstances of the Abbey and the Taiko Sogo Bank but each in its own way points up the changing financial environment in which the world's savings institutions now find themselves operating.

For decades savings banks of one sort or another were considered the backwoodsmen of the banking industry. They were often formed for philanthropic reasons to encourage thrift among the poorer classes of society and the more socially conscious tended to describe themselves as a "movement" rather than an industry. Someone even wrote an international savings bank hymn which the more zealous savings bankers still sing on World Thrift Day each October.

LEADING SAVINGS BANKS

Bank	Country	Assets $bn
WestDeutsche Landesbank	Germany	39.0
Bayerische Landesbank	Germany	24.4
Caisse Generale d'Epargne	Belgium	17.7
Hessische Landesbank	Germany	17.7
Cassa di Risparmio delle Province Lombarde	Italy	17.2
Norddeutsche Landesbank	Germany	16.4
PK Banken	Sweden	11.2
Deutsche Girozentrale	Germany	9.1
Landesbank Rheinland Pfalz	Germany	9.0
Wurttembergische Kommunale	Germany	8.8
Landesbank Schleswig-Holstein	Germany	7.6
Girozentrale und Bank der Oesterreischen Sparkassen	Austria	6.5

Source: The Banker, June, 1978.

Times change, however, and although the history and traditions of the various types of savings banks still linger on, the banks themselves are being dragged into the 20th-century. So many institutions can be described as "savings banks" that it is hard to find a common denominator. There is an International Savings Bank Institute based in Geneva to which all sorts of savings banks are affiliated but it is by no means a comprehensive guide to the world's savings banks.

The problem is that many of the historical reasons for the establishment of particular types of savings institutions have disappeared. Britain's building societies were formed to provide funds for buildings but they have been so successful that they have emerged as the most powerful savings medium in the country. There are now four savers for every one borrower and the building societies are now much more important than the Trustee Savings Banks. Similarly, Germany's co-operative banks and savings banks were set up for different reasons but now there is very little to tell between the two and the fact that one is called a "savings bank" and the other a co-operative bank is a bit misleading.

Lump in the postal savings banks and the building societies and what can loosely be termed as "savings banks" probably constitute the largest single segment of the world's banking system. The Common Market alone contains 1,800 savings banks with over 30,000 branches and 130m customer accounts. Every other citizen in the EEC has a savings bank account. They are an important power in the land but until recently they have gone largely unnoticed.

Two things have happened recently which have pushed the savings banks more into the financial limelight. First, a number of countries have introduced various financial reforms which have resulted in a lowering of the barriers between savings banks and other types of banks. Britain had the Page Report, France the Racine Report and America the Hunt Commission, all of which advocated a more active role for the local savings banks.

As the barriers have been lowered so competition has increased. The commercial banks have long been envious of the savings banks' captive deposit base and many banks have tried hard to lure savings deposits away from the traditional savings banks. That this has been successful can be seen by the fact that Bank of America is now the largest savings bank in the world, overshadowing California's Savings and Loan Associations.

Fight

In turn the savings banks have started to fight back. Here in Britain the Trustee Savings Banks are taking their first faltering steps towards becoming fully fledged commercial banks. But on the Continent they are years ahead.

The German savings banks in particular have led the way. The offices of the local *Sparkasse*, for example, are now virtually indistinguishable from the local branches of Deutsche Bank. The only difference is that the German savings banks cannot branch nationally whereas Deutsche Bank can.

At the international level the big German Landesbanks (the savings banks regional central banks) have made a big impact in a very short space of time. Banks such as WestDeutsche Landesbank, the 13th largest bank in the world, now compete on a par with the likes of National Westminster and Chase Manhattan.

The Italian savings banks have also made great strides. The biggest, Cassa di Risparmio delle Provincie Lombarde operates just like any normal commercial bank and is represented in major overseas financial centres. The Scandinavian savings banks are also well advanced. Sweden's second largest bank, for example, is PK banken which resulted from the recent merger of the State owned Sveriges Kreditbank and the Post Office Savings Bank. By contrast in the U.S., France and Britain the savings banks are less developed, both domestically and internationally.

Although there are many species of "savings banks" around the world the majority of them are moving at various speeds towards becoming fully fledged commercial banks. This is a process that has been going on for the past decade as the barriers have been falling. Here in Britain this development has been lagging well behind similar trends in other countries but the recent news about Abbey National's European thrust and the clearing banks' move into mortgage finance fits in with the international trend.

The commercial banks and the savings banks and building societies are moving closer together. Even the rigid demarcation between the latter in Britain is starting to evaporate as the Trustee Savings Banks move into financing house purchase—for long the sole preserve of the building societies. It is not inconceivable that at some future date the Trustee Savings Banks and the building societies might move closer together. It would be a logical move for the two types of savings banks to utilise their respective expertise to compete effectively with the clearing bank.

At the moment the trend for savings banks to become more and more like ordinary commercial banks seems to be common to virtually every major economy. But the process has not been entrely without cost—witness the expensive mistakes of the German Landesbanks.

As they are not subject to the same profit disciplines on commercial objectives as other big banks, the savings banks have tended to be rather accident-prone. Armed with cheap sources of funds and freed from their previous inhibitions some savings banks have fallen foul of the temptation to grow too big too quickly. The problems at Hessische Landesbank in Germany and now Taiko Sogo in Japan underline the pitfalls.

William Hall

Package

CONTINUED FROM PREVIOUS PAGE

He suggested that the banks set up special subsidiaries to take over non-banking participations. Shares in the subsidiaries could then be passed on to shareholders of the banks themselves, a process, he said, that would gradually separate potentially conflicting interests with the banking business.

Relations between the banks and their industrial customers are also very close in Japan. While the main reasons for maintaining close links are the same as in Germany—a weak equity market, rapid industrial growth, the financial dependence of industry on the banking system—the nature of the relationship is somewhat different, as IBRO reports.

"In the pre-war period, the banks were part of the large zaibatsu groups; being in a subordinate position they were in a sense the banking arms of large industrial concerns. In the post-war period the relationship has changed; the banks are now among the leading companies in the new groups that have gradually re-emerged after the dismantling of the zaibatsus. Banks and industrial companies work very closely and hold regular meetings to discuss industrial performance, expansion plans and financial requirements, while the government plays an active role in co-ordinating relations between banks and industry."

Equity participations by the UK banks are few and far between. These are found to a limited extent as a result of the activities of the clearers' merchant banking subsidiaries, and also in one or two cases through initiatives to satisfy the financing needs of small businesses.

To a large extent, however—as in all other countries—the position of the UK banks vis-a-vis industry is a consequence of the financial and institutional background of the country itself. As the clearers told the Wilson Committee: "Insofar as the clearing banks are less actively engaged than banks in certain other countries in areas such as securities trading and the provision of long-term finance, this is largely because there already exist other UK institutions and markets well-equipped to perform these functions."

But what is the future for the universal banks? The truth is nobody really knows. The banks initially expanded their services in response to the needs of customers. But once established these services are not easily dislodged. What may have been appropriate many years ago may now be seen as considerable conflicts of interest.

The dangers of being universal are perhaps most graphically illustrated by this cautionary tald told (or re-told) at a conference on U.S. banking earlier this year by Mr. G. W. Mackworth-Young, chief executive of Morgan Grenfell.

"Once upon a time there lived in the land of Ruritania a large and wise cow. She was strong and healthy so that she ate much grass and produced voluminous quantities of milk. As she grew bigger she looked around at thet other farm animals and wondered what they had got that she hadn't got and why. She watched her menfolk, the oxen, pulling a plough and thought to herself that she was quite as strong as they; she had herself yoked to another large, wise cok and they pulled their plough, if anything rather beter than the menfolk.

"She was used, of course, to supplying her country with veal; she had a calf once a year, but she was jealous of the fact that pork was increasing in popularity in the market place. She made friends with a boar of an experimental turn of mind and soon learned to produce a small porker, as well as a calf, every year.

By and by she turned her attention to the poultry and to the geese and wondered what it was that the market coveed so much which appeared in a shell from their posteriors. Before very long she, too, was laying eggs

But with all this activity the quality of her milk deteriorated: it lacked the je ne sais quai that makes a really good cheese.

Nevertheless, her enormous fecundity made her rich and gave her a certain arrogance: she thought she owned the place. Worse still, for her great wealth had enabled her to buy up much of the farm, and she jolly nearly did.

She was, of course, the first universal bank and from this tale we draw up the moral that however desirable it may be to keep to a minimum restrictions on competition, it is a capital mistake for anyone to suppose that be should even try to be the best at everything.

SPECIALIST INSTITUTIONS

Investment expertise

ONE KEY change in the pattern of international banking over the past decade has been the way in which commercial banks have been drawn into the business of investment banking. This is not the topical change of the moment—that, paradoxically, is probably the increasing drive by the major international banks to get into traditional domestic banking business of countries other than their own—but the burgeoning need during the seventies to deploy, and to fund, balance of payment imparities has meant that investment banking has been an opportunity for growth not to be missed.

The classic business of investment banking is underwriting and arranging the sale of securities but for the purposes of this article the term is used as a catch-all to embrace the sort of activities in which a modern investment or merchant bank engages internationally.

The *common denominator is* probably that such business earns fees—in payment either for risk or for expertise—rather than income from interest differentials. But the line between investment banking and international commercial banking is obviously blurred. The syndicated loan business, for example, might be considered a commercial banking activity, but the very concept of a syndicate, and of the fees which are earned in arranging one, takes this business into the preserve of investment banking. And the modern tendency of investment banks to act as agent for the *borrower* sounds, in turn, more like financial consultancy than investment banking.

In the late sixties it was left to the British merchant banks and to the more internationally minded Wall Street investment banks to make the running in the rapidly expanding international capital market. The big American commercial banks gave birth to the syndicated Eurodollar loan as the decade closed. But their first forays into the Eurobond market were often by way of participation in a consortium bank. Orion Bank is an obvious example of such a vehicle, providing investment banking expertise for big banks like NatWest, Chase Manhattan and West LB which then, quite quickly, discovered that they wanted to participate in the business directly.

It is no longer heresy to suggest that as a concept—though not, in some cases, as individual entities—such consortium banks have outlived their usefulness. Indeed the words "consortium bank" now have a rather disparaging ring to them and such banks should today be judged as banks, which happen to be owned by other banks, rather than as a financial vehicle designed to complement the activities of their shareholders.

The original concept of the consortium bank continues to apply to consortia set up by banks with the same regional background which prefer to pool their international investment banking expertise—Scandinavian Bank is an example.

Consortium

A valid alternative is the consortium in which powerful Western banks have joined forces with banks with experience of a particular part of the world. UBAF and European Arab Bank are examples of consortia established to benefit from Middle Eastern experience, while International Mexican Bank, Eurobraz, and Libra Bank have had an impact in the South and Central American markets. Arlabank is an example of a direct linking of Arab and Latin American banking aspirations.

Meanwhile, the big Western banks have increasingly made the field of investment banking their own, making it a part of the concept of universality which is still an underlying trend in the banking business. Some U.S. banks—Citibank, Chase Manhattan — have remained faithful to the formula of an international merchant banking subsidiary; others have experimented with such banks and have finally decided to incorporate them into their international operations.

All these increasingly competitive forces have had a major impact on the London merchant banks. In streight banking, the combination of inflation and a weak base currency have further restricted already over-stretched balance sheets. Added to this the merchant banks themselves have not always been too excited about raising new capital. One view is that when new money was most needed the banks' share ratings were at an all-time low. More fundamental is probably the explanation that the family groups which dominate many of the shareholdings have remained unwilling to give up control. In any case, the amounts of money that would be required to put the merchant banks into a size competitive with the giants would be so vast as to render the exercise unthinkable.

So the likely future trend seems to bode further contraction on the merchant bankers' banking business. They will have to run faster elsewhere to go on earning the returns of yesteryear. All the banks are already involved in numerous activities in an effort to find new niches, and create further markets. One of the more successful examples often quoted is Warburgs presence in the Eurobond market.

Another is Hill Samuel's concentration on developing its fee-earning financial services activities. More generally, several of the leading merchant banks have been among the leaders of the fund managers who have marketed their services for international management of U.S. pension fund money. Back in London, the merchant bank's early involvement in leasing, and the rapidly growing lease management and advice market, is another indication of how they are being forced to rely on their wits.

What of the future? There are no analysts in the City today prepared to predict a bright short- or long-term future for merchant banks. Pressure will continue on the banking side, while the race to keep coming up with new and profitable ideas will tax the best brains.

Perhaps the best indication of what the future holds is provided by the extent to which the merchant banks can continue to attract the brightest young men into their ranks. One senior official in the Bank of England has no doubts that they will go on doing so for many years to come. However, one banking analyst is not so sure: "Merchant banking is no longer the first choice for a job in the City. The clearing banks pay as well, if not better," he says.

For the U.S. investment and commercial banks the expansion of the international investment banking market has created *opportunity for a competition* between these two sectors which is forbidden by law back in the U.S. The U.S. investment banks are under the pressures similar to those felt by the merchant *banks of the City: the loyalty of* their corporate clients is no longer unquestioning: they do not have the financial resources to become big wheels in the syndicated loan business; they find it hard to match the bond placing power of the big German and Swiss banks.

Two other factors are significant as well—U.S. investment banks are, to some extent, competing with their own head offices in promoting eurodollar issues rather than "yankee" issues, and the Securities and Exchange Commission sees to it that U.S. placing power cannot be a factor in arranging euro-*dollar issues.*

Their responses to these problems has been varied. First Boston chose to team up with Swiss placing power by joining forces with Credit Suisse after *the Swiss bank's former partner* White Weld had been taken over by Merrill Lynch. Blyth Eastman Dillon is seeking to build up an international presence on the strength of backing from the U.S. insurance giant INA.

Merrill Lynch remains intent on becoming a global force in investment banking, but at the same time, is developing into a universal bank outside the U.S. Others like Kuhn Loeb Lehman have chosen to develop their skills in the international securities market, emphasising their commitment to trading, providing market advice, and, like the London merchant banks, moving with increasing frequency to the side of the borrower and advising him how, and on what terms, he should raise his funds.

Despite the intense competitive pressure that is now developing in the international bank lending business and whose impact is most clearly visible in the fall in spreads on syndicated loans, the international investment banking area retains its appeal for big commercial banks. It must be considered indicative that the conservative Morgan Guaranty Trust is now launching an investment banking operation in London. The corporate clients of the big U.S. *banks are demanding expertise* in a floating currency world where the dollar no longer has automatic pride of place.

By a Correspondent

CORRESPONDENT BANKING

Back in favour

CORRESPONDENT BANKING is the Cinderella of international banking. When bankers went off to the international banking ball of the early 1970s, correspondent banking was left behind *and forgotten.* Overseas correspondents were replaced by shiny new bank branches and suddenly a bank's position on a tombstone became a much more important symbol of success than its long list of correspondent relationships.

But with spreads on syndicated loans sinking to rock bottom, bankers have recently rediscovered their correspondent banking departments. The paperwork may be tedious and time-consuming and there is plenty of room for costly errors.

But just think of all those free balances—the gravy of correspondent banking. They can do wonders for a bank's average cost of funds and put it in a much more competitive position when bidding for international loan mandates. Banks such as Chase Manhattan, which had let their correspondent relationships slip as they moved off into the glamorous world of "Big-ticket" lending and project-finance, are now working hard to re-develop their correspondent business.

Once again bankers are taking pride in being referred to as a "banker's bank." Although there has been a tremendous physical expansion of bank branches overseas during this decade there are still vast areas of banking business that are best served by the traditional correspondent relationship.

The First National Bank of Boot Hill, for example, might open a ritzy office here in London and call it its "European base." But there are plenty of things that it cannot do and even those that it can are often transacted more cheaply by its London correspondent bank. A small branch with 20 staff, for instance, cannot have the same back-office economies of scale as a big London clearing bank.

Correspondent banking first developed alongside the growth of world trade. Banks had to make payments for goods moving across national borders. To do this they appointed local banks to act rather like agents to pay their bills and process the documents. The banks concerned had to trust each other and over the years they built up a relationship.

A London clearing bank such as Midland, which currently does business in virtually every corner of the world needs at least one correspondent bank in each country. Meanwhile, Midland Bank's entry in the Banker's Almanac lists 13 pages of banks for which it acts as correspondent in London.

In the U.S., correspondent banking has been part of the domestic banking scene right from the beginning because the nation's 14,000 odd banks are forbidden from branching over Inter-State lines. Consequently they have to rely on correspondent banks to do much of their business away from home.

The leader in this field is Manufacturers Hanover Trust (MHT). To give some idea of the volume of business done by its correspondent banking department, MHT recently revealed in its annual report that it handled between 1.2m and 3m cheques daily and an average dollar volume of \$40bn.

Over the past four years MHT's volume of money transfers has increased by nearly 50 per cent and securities processing volume has almost doubled. Meanwhile its staff levels have *stayed constant and its error* rate has declined significantly. To achieve this increase in efficiency the bank has hired industrial engineers and experts in applied mathematics.

This is a far cry from the traditional business of banking, but for MHT the "back-office" operations have been singled out as a key influence on its success as an international bank. If it can reduce its error rate, cut down the cost of its services and improve their speed, it can attract both correspondent and corporate customers.

Correspondent banking is not without its problems, however. One of the most important, and one which bankers are loth to speak about, is fraud. With so much paper travelling around the world, items such as bankers' drafts have made an ideal target for the sophisticated criminal.

The other big problem is errors. As so much of correspondent banking is still carried out with some manual input, human error still poses a headache for international bankers. In addition, congested postal and Telex services have not proved adequate to cope with the rising volume of business.

To cope with this, most international banks have clubbed together in the Society for Worldwide Interbank Financial Telecommunications (SWIFT). This is a store and forward computer message switching system which after years of development has recently started operating in 15 countries in Europe and North America. Nearly 600 banks exchange messages through the system and its importance in international correspondent banking is bound to increase because it provides a relatively cheap way of circumventing the clogged Telex and mail services.

By increasing the speed of delivery and putting all banks on a common format, errors and costs are reduced. The overseas department of Lloyds Bank, for example, now sends more than 1,000 messages a day by SWIFT which would previously have gone by Telex, cable or mail.

One other problem that has confronted correspondent banks has been the increasing sophistication of the customers they serve. By offering banks and multinational corporations daily information on the state of their accounts the banks have made a rod for their own backs.

Because companies have become more cash-conscious they have been reducing the amount of money they leave idle in free balances. As a result correspondent banks are having to cost their services more effectively so that they can recoup some of the earnings lost by the erosion of the free balances.

Worthwhile

Because of the frequent croos-subsidisation this is a difficult chore but it is worthwhile. If a bank can provide cheap and effective correspondent banking services it can make a name for itself just as easily as if it were participating in large numbers of loans. More important, a bank does not have to have the financial muscle so important in medium-term lending, to compete effectively in correspondent banking.

It is an area where small can sometimes be beautiful. True, there are economies of scale in services like cheque processing but against this a relatively small regional bank which has good staff and is situated outside a big city such as New York has definite advantages. Apart from the lower labour costs another important factor is that the New York correspondent bank often suffers a higher proportion of errors (an important measure of the efficiency of a correspondent bank) than an out-of-town bank.

This has important implications for the international business of the smaller regional banks that are realising that there is often far more mileage in providing a cheap and effective correspondent banking service than trying to compete with Citibank and Chase for the big medium-term loans.

This also applies to British banks. Despite the oft-quoted complaints about the high taxes and high inflation rate in Britain, London has big advantages over many other financial centres, of which one of the most important is the quality of the staff. One side effect of this is that a number of U.S. banks are keen to do more of their dollar clearing here in London rather than route it back to New York and suffer all the problems involved. A pilot scheme is already working in London, and it could become very important if the Bank of England and the Federal Reserve give it their blessing.

William Hall

THE REGULATORY FRAMEWORK

More control urged

ALTHOUGH THE question of supervision and control in the international banking market has been around as long as the Eurocurrency market has existed, the discussion of this topic has in 1979 achieved a momentum which surprises even cynical observers.

The most forceful development to date was the arrival in May at the Bank of International Settlements (BIS) in Basle of Mr. William Miller, the chairman of the U.S. Federal Reserve, bearing a working paper outlining ideas for applying minimum reserve requirements to international bank deposits. These would extend to Euromarket deposits the minimum reserves which national banking authorities already impose on bank deposits of domestic currencies.

This U.S. initiative reinforced demands from the West Germans for more supervision and more control. In April the Bundesbank's annual report was critical of the dangers to international finance and to free trade of the provision of massive funds, free of economic conditions, to deficit countries via the Euromarkets.

The German central bank called this "over-recycling." It claimed that the Euromarkets had enabled deficit countries to finance bigger deficits for longer periods than was good for them. It said that there was an urgent need for improved ways of showing up the risks in such lending. It claimed that national control of money supplies could be undermined, and currency speculation augmented, by the Euromarkets and that their expansion could be kept more easily within tolerable limits if the most important participating countries could agree on "joint guidelines."

There seems to be a chance that the mild disagreement here between different central banks will turn into a confrontation. Ranged against the Germans and the U.S. are the central banks of the countries which most benefit from the existence of the international banking market in currencies—most conspicuously Britain and Luxembourg.

The considerable banking businesses of both these centres are largely due to the offshore markets—the dollar in London, the D-mark in Luxembourg, for instance—which have become established there to avoid regulatory costs and blockages (reserve requirements, interest ceilings, capital controls) which discourage banks from doing the same business in the home countries of those currencies.

To these banking-centre countries the Eurocurrency markets appear not an entity in themselves but rather a transmission system linking various different banking markets which keep their houses in order in different ways. Their argument is that to apply constraints to this transmission system is not the right approach to ensure its safety—the right approach is to make sure that each banking country has adequate control over the operations of its banks, and that there is some coordination betwen countries to make sure that necessary information is available, that standards are continually improved, and that no banks can slip through the resulting supervisory network.

Argument

There is not much argument about the underlying principle of this approach; the argument is about whether it should be supplemented by an attempt to curb, in quantitative terms, the "Stateless" market which links the various countries and currencies. It cannot be denied that this market is large, has been growing at great speed, and has been responsible for the lion's share of balance of payments financing in recent years.

While argument looms here, progress on improved and better co-ordinated national supervision of the banks playing this international market continues. At a supranational level the key contributors are the Cooke Committee on banking regulations and supervisory practices, the BIS, and, to a lesser extent, banking committees within the EEC.

The Cooke Committee—established at the Blunden Committee in 1974—is based on the BIS and consists of representatives from the banking authorities and central banks of the Group of Ten countries together with Luxembourg and Switzerland.

The committee has not attempted to standardise banking rules or to act as a policeman looking into the position of individual banks. One of its tasks has been to make sure that, by a combination of supervision via the parent bank and of supervision via banking centre, no institution escapes some supervision.

Each banking centre now has a duty to ensure that each bank operating on its territory is being watched over by somebody. Different guidelines are laid down for different types of bank—in the case of consortium banks, for instance, it has been agreed that the host authority should be responsible for supervision because control via the parent must by definition be somewhat diluted.

The committee has also been working with the BIS itself to increase the flow of information about international bank lending to countries—the lending whose extent and growth causes the Bundesbank concern. Since 1976 the BIS has developed a system to obtain, via the central banks of the major Western countries, the extent of lending by different banks to different countries, complete with information about repayment schedules.

This information is now compiled on a debtor-country by debtor-country basis every six months. It is a major supplement to other data compiled by the World Bank, the IMF and the OECD. To help the private banker make his way through the various data available the BIS has also published a guide to the sources of such data which explains how the different strands can be pulled together to help in assessing creditworthiness.

At a national level there have recently been a number of notable strides towards more serious efforts in the supervision of the international operations of banks of different nationality. These steps to gain more insight are the logical follow-up to the agreement by major central banks after the Herstatt disaster in 1974 that each would act as lender of last resort to the international subsidiaries of the parent banks under its control.

The Bank of England, which has considerably beefed up its supervisory capacity since the British secondary banking crash, is planning to require British banks to consolidate the figures for their foreign branches and subsidiaries with those for their British operations. The Bank of England is also steadily increasing its efforts to monitor the activities of non-British banks in London, both subsidiaries and branches, "to ensure a systematic understanding of their operations."

The German authorities have had rather a tougher time in gaining access to information about the overseas involvement of their banks. The German banks do much of such business through Luxembourg, and Luxembourg has claimed sovereignty over the affairs of banks operating there.

Since Herstatt, West Germany has stepped up the pressure and there is now a gentleman's agreement between the banking authorities of Luxembourg and West Germany which allows the German parent banks to furnish the German authorities with data about their activities in Luxembourg and elsewhere. The Bundesbank stated recently that German banking law might be amended so as to insist on the same sort of international consolidation which the Bank of England is moving towards.

In the U.S. there has in recent years been great concern at the rapid rise in the overseas banking operations of U.S. banks. The three supervisory agencies—the Fed, the Comptroller of the Currency and the Federal Deposit Insurance Corporation — have joined forces in producing a unified requirement which gets each U.S. bank to quantify its international exposure. The banks with significant international operations are now providing a country-by-country breakdown every six months.

It is this tightening up of the different systems of supervision of international banking—and in particular the adoption of fuller consolidation in accounts—that is the approach championed by the Cooke Committee. The OECD's Capital Markets Division in Paris has already produced a valuable guide to the different regulatory approaches of the five major European banking countries, to facilitate comparison. It is working at an expansion of this guide to include the other major financial centres as well.

Nicholas Colchester

ACCOUNTING

Medley of rules

THE CONTROVERSY that greeted the recent disclosures by the British clearing banks about their bad debt provisions suggests that bank accounts are still a law unto themselves. The fact that there is no longer any legal justification for this is one of the interesting points which separates UK bank accounting policies from those of most other countries.

All over the world, it seems, banks have accumulated special privileges for themselves in the area of accounting. This is nowhere more evident than in Continental Europe. It is also the case with the banks in most English-speaking countries, and those in Japan. The inevitable result is that bank accounts in virtually all the leading industrial nations of the world are subject to great limitations—so great indeed that even the banks themselves now accept the need for improvements.

There are two international initiatives which hold out some hope for those with the misfortune to have to make use of bank accounts in their work. In Europe, the European Commission is working on a directive to harmonise EEC bank accounting practices. This has yet to be published in draft form, but the basic idea is to have a document similar to the fourth directive (on the annual accounts of industrial and other companies) for the banking sector.

As will be discussed below, the accounting policies of banks in the EEC are not very satisfactory from the point of view of a user of financial statements. Since the EEC initiative is limited to harmonisation on the basis of existing laws throughout the Community it is unlikely, to say the least, to bring about a revolution.

This is all the more so since there is as yet little evidence that user groups are bringing their views to bear on the Commission—itself by nature somewhat of a public interest body. Instead it is the bankers in London, and other cities across Europe, who are taking an intense interest in the Community proposals.

More interesting, therefore, may be the work of the International Accounting Standards Committee (IASC), the London-based organisation established by accounting bodies from around the world to improve international accounting standards. IASC is currently undertaking a project, intended to lead to an international accounting standard for banks, in conjunction with the Group of Ten Central Bankers (the Basle Committee). Work is now in the final stages on a discussion paper on the subject which may be approved by IASC in June, and published in the autumn.

The project and the likely tentative proposals in the discussion paper are being treated with the utmost secrecy. It is known, however, that IASC intends to develop a disclosure standard, rather than measurement yardsticks. In other words, the intention will be to get the banks of the world to reveal what accounting policies they are following—rather than force them on to a common set of rules. This is not a very satisfactory approach since it does not deal with the basic question of comparability. But at least it is a start.

One of the good bits of news for analysts who have been tearing their hair out trying to make sense of UK bank accounts is the news that the discussion paper will call for separate disclosure of both specific and general bad debt provisions—as well as secret reserves.

Until 1978 the clearing banks prepared their accounts—so far as bad debts and investments were concerned—in accordance with a private accounting convention known as the Leach-Lawson rules, one of the features of which was five-year averaging of gains and losses. In the latest batch of accounts Leach-Lawson was abandoned and the clearers agreed for the first time to reveal the levels of their bad debt provisions.

When the disclosures were made it soon became apparent that they were inadequate. Most lacking was the banks' failure to separate the amounts of the general and specific provisions.

The subject dominated the clearers' Press conferences and attracted a fair deal of attention in the accountancy profession. Privately, many senior accountants are prepared to say that the so-called general provisions are not at all what they purport to be—but are in reality reserves. The implication of this, if true, is that the clearers are still indulging in the practice of having at least quasi-secret reserves.

Now that the overall amount of both specific and general provisions is known for each bank the case for continuing to have unquantified general provisions is coming under scrutiny. Leading bank analysts have for years suspected that the clearers use the general provisions for smoothing profits from one year to the next — something the banks themselves deny. Now that the aggregate of both the specific and general provisions is known, however, the case for keeping the general element undisclosed appears to justify the smoothing argument, according to some accountants.

The claim by the UK clearers that the general provisions are wholly justified under the provisions of company law took a knocking from the Price Commission in a report on bank charges last year. The Commission said, quite simply, that the general provisions are part of the banks' capital base.

Unwittingly perhaps, the clearers themselves appear to have admitted the point in the massive volume of evidence sent to the Wilson Committee last year. To fall within t[he] 1967 Companies Act definiti[on] a provision must be an amou[nt] set aside to cover a kno[wn] liability or loss. The cleare[rs'] evidence states: "the gene[ral] provision is intended to co[ver] bad debts not yet identified t[hat] might reasonably be expected [to] arise. . . ."

Talks

So much for the UK ban[ks]. Whether there is any impro[ve]ment in their accounts next ye[ar] may depend on talks with t[he] Department of Trade and t[he] Bank of England in the ne[ar] future. A point worth makin[g] however, is that the issue is n[ot] one of extra disclosure. It [is] simply a question of pro[per] measurement.

At least UK banks prepa[re] consolidated accounts. The sa[me] cannot always be said of ban[ks] in France, Germany Italy a[nd] Belgium. In these countries t[he] accounting profession has tra[di]tionally lagged behind that [of] the UK (though there a[re] recent indications of rapid pr[o]gress in France at least). [In] Germany banks are specifical[ly] allowed under Article 26(a) [of] the Banking Law 1961 to "sho[w] claims and securities at a val[ue] lower than that prescribed [or] permitted in the company la[w] to the extent that the principl[es] of sound business policy call f[or] such action as a safegua[rd] against the particular ris[ks] inherent in the banking bu[si]ness."

In Holland the big banks a[re] allowed by law to have secr[et] reserves, though the practice [of] consolidation is the norm.

The position outside Europ[e] is equally depressing, from th[e] point of view of the user. Th[e] only exception appears to b[e] the U.S., where it appears th[at] banks follow normal compan[y] accounting rules, possib[ly] thanks to the discipline of th[e] Securities and Exchange Com[]mission. The position i[n] Canada, and other Englis[h] speaking countries, too, is th[at] banks are allowed secr[et] reserves. As for Japan, suffic[e] it to say that companies ar[e] only now getting round to th[e] practice of preparing con[]solidated accounts.

After this brief and uninspi[r]ing survey of bank accountin[g] practices around the world th[e] outstanding question must b[e] what value most banks' account[s] are at present. Perhaps th[e] best answer lies in the banker[s'] own practice of quoting balanc[e] sheet totals as the convention[al] method of measuring size in th[e] industry. As one auditor sai[d] recently: "You don't need t[o] be an accountant to realis[e] that you get the balance-shee[t] total up by putting the sam[e] item on both sides of the sheet."

Michael Lafferty

B.I.S.

Universal forum

HOEVER CHOSE Basle as the le of the Bank for Inter- ational Settlements (BIS) ıen it was set up in 1930 ıose well. The institution has ined an enormous amount om its location there. The ivantages may be summed up the words neutrality and ıonymity.

When the International onetary Fund was set up ter World War II it might ve been expected to deprive e BIS of a function. That it s not done so, and that it is the BIS rather than the IMF at major central bankers hold eir monthly meetings to cide future changes in policy not least because the IMF is Washington while the BIS in Basle.

In Washington everything ıks—and to the wrong urnalists; in Basle even in the ys when the monthly central nkers' meetings made rela- ely dramatic decisions to value or revalue most of what ıked tended to be what tually everybody wanted ıked. Now, the monthly eetings are regarded as yield- g less than almost any other ırnalistic assignment.

It is as a central bank's bank d a forum for international cussion between central banks at the BIS is best known even lay. *A third function—as an* ernational financial databank d source of relatively objec- e analysis of international ancial affairs — has been an dition of the past 15 years. The bulk of the staff work ried out at the BIS relates its function as a central banks' ntral bank. It still administers residue of Germany's various parations payments. In the cade running up to the re- ablishment of convertibility 1958 the BIS was the agent the clearing and credit agree- ents through which the ropean currencies were systematically brought to con- vertibility.

Since then it has been responsible for carrying out financial arrangements connected with agreements between European central banks. Most recently, *it has become the clearing house* for payments between central banks under the new European Monetary System.

Despite having a wider shareholding than the EEC it has operated in effect as the central bank of the European Economic Community—insofar as such a central banking function has been needed. It provides a secretariat for the Committee of Governors of the EEC central banks.

Part of its role as the central bankers' central bank has involved participation in the network of swap arrangements between the U.S. and other central banks (swap arrangements which date back to agreements reached at the BIS in 1962). *The BIS lends money* to central banks against pledges of gold or securities.

A big part of its operations today involves acting as a link between central banks and the various private sector financial markets. For example, the BIS receives deposits from central banks and invests them in deposits with commercial banks *or in short term negotiable* paper like Treasury bills.

The role of the BIS in recycling official reserves back to the Euromarkets has been a subject of some controversy during the past few years—it is not supposed now to increase the value of deposits by group of ten central banks, though the base date from which the "no increase" policy refers is obscure.

The only occasions on which the BIS regularly hit the headlines were the monthly meetings *during the 1960s when central* bankers were liable to take decisions to devalue or revalue.

Basle then attracted the world's Press. They were supposed to be secret and for journalists the name of the game was to shadow prominent central bankers through the *streets as they left the meetings* in an effort to prise out information which would not have been available within sight of central banking colleagues in the BIS building.

Since the generalisation of floating exchange rates, however, these monthly meetings have lost most of their magnetism, while the completion of the new BIS building a couple of years ago with its permanent offices for central bank shareholders has meant that central bankers tend to spend much more of their time closetted and *unapproachable within the BIS* building.

Remained

Twice a year the BIS also receives visits from delegations of its East European central bank shareholders. The BIS was established between the two world wars, and central banks of all East European countries apart from the USSR, East Germany and Albania were also shareholders. They remained so even after the switch to Communist regimes.

For many years their membership gave the BIS a unique position as a place where West and East could discuss financial matters. *This role is said to* have become much less significant since East European bankers have established so many more links with the West —not least with the commercial bankers in the Euromarkets.

A role which the BIS has assumed most recently is that of Euromarket databank. It also provides the closest that there *is to a multilateral surveillance* institution for the Euromarkets. This takes the form of the secretariate for the Committee on Banking Regulations and Supervisory Practices (the so-called "Cooke Committee"), established in the wake of the Herstatt debacle in 1974.

Finding out about the market has been the central banks' first line of defence in efforts to prevent future international banking debacles. The BIS has published information, analysis and statistics on the Euromarkets since the early 1960s. But it is only since 1975 that its regular quarterly statistics have been published.

By turning the statistics collected by the BIS on their head it has for the first time become possible to get some idea of the amounts owed to commercial banks by major Euromarket *borrowing countries.* This has added a new dimension to discussions on *international debt* —a subject which has become so important since the 1973/4 OPEC price rises multiplied all the sums involved in world trade and finance.

Looking at the future, probably the biggest weakness of the BIS is the lack of less developed countries (LDCs) among its shareholders. The lack of such shareholders has hitherto been to its advantage—one of the biggest problems of the IMF, as of the World Bank and the United Nations, has arisen from its all but universal membership. The BIS has been able to get things done where these other institutions could not.

A big feature of the last decade, however, has been the spread of economic and financial importance to the biggest *of the LDCs (not to mention* Saudi Arabia). Their commercial banks are becoming a significant force in the Euromarkets as depositors as well as borrowers.

Mary Campbell

EXPORT FINANCE

The nations compete

R EXPORTERS anywhere main event over the past ır has been the opening up a huge new market—China. e scramble to sign the first dit lines with China illus- ted all too clearly how vital port finance is to the exporter ing to win new orders. At same time it has confirmed w much international com- ition still exists on credit ms despite the efforts to minate this self-defeating mpetition.

The main attempt to do so s been through the gentle- n's agreement on export dits reached by the main porting nations in June 1978 d since consolidated within auspices of OECD. But this at best a compromise and orts to harden up the agree- nt have so far failed—to the tent that the U.S. and the C are currently in dispute, ainly over the same principles er which they have always quarreled.

The U.S., which is against bsidising export finance at all, ints longer loan repayment riods but higher interest tes, while the EEC prefers wer interest rates over shorter payment periods. The U.S. so wants changes in the change risk guarantee hemes, would like to tighten credits mixes and abolish e inclusion of local costs in e export package. It also ints new guidelines on the ancing of aircraft, nuclear wer plant and LNG tanker ports.

So intense is international edit competition that—with e exception until now of the S.—exporters whatever their untry of origin (despite their aims to the contrary) have nerally been able to match ch other's credit terms. That not to say that all the main porting countries provide pre- sely the same export finance cilities, though the net result by and large the same.

This is especially so on the port credit insurance side— vering the exporter against on-payment by the buyer. In me countries like the UK rough ECGD, France through OFACE, Italy through SACE nd Japan through MITI's Ex- ort Insurance Division, this in- urance cover is provided by tate-owned entities. In others ich as the U.S. and the etherlands cover is provided y the private insurance market ith the private companies overing the commercial risks n their own books but rein- uring the political risks with he Government. Another ariation is that of West ermany, where the Govern- ent carries both the com- ercial and political risks but he system is administered by he private companies Hermes nd Treuarbeit.

In all cases short-term export inance is provided by banks nd other financial institutions t market rates, the exporter ften using his credit insurance olicy as collateral. In a few ountries such as the UK, U.S. nd Japan the exporter is able o obtain finance at preferential rates through guarantee schemes operated by the export credit insurance agencies. The UK is the only country, however, where a 100 per cent unconditional bank guarantee is available on payment of an additional ECGD premium. This enables the exporter to raise export finance at a rate *negotiated* between the banks and ECGD which is only $\frac{5}{8}$ per cent above base rate. No such cent above base rate.

When it comes to exports *sold on medium and long-term* credit this is provided either as a supplier credit or a buyer credit covering a maximum of 85 per cent of the contract value. In the former the exporter offers the overseas buyer extended credit, the banks financing the credit until payment against bills or notes. Where the exports are large *capital goods contracts in-* volving lengthy construction periods the exporter often prefers to be paid in cash on or before shipment. Under a buyer credit scheme a loan is advanced direct to the overseas buyer by a bank or consortium of banks on repayment terms equivalent to the credit the buyer might expect from the *supplier. Lines of credit are* a variation of buyer credit.

Some countries such as West Germany and Switzerland do not subsidise export finance interest rates but since their domestic interest rates are relatively low there is little need to. Indeed West Germany provides virtually no official support for export finance either through *interest rate subsidy* or by providing funds—except under its KfW aid scheme to developing countries. Exporters have to pay fluctuating market rates though they may be able to negotiate a fixed rate but this would be at a higher level.

Forced

But in those countries where interest rates are high, governments have been forced to subsidise export finance provided at fixed interest rates—initially at least—to match the terms which competitors with lower *interest rates were able to offer.* They also provide funds to finance these loans either directly or indirectly. This form of export subsidy is well established in countries such as the UK, France and Japan but more and more countries are following suit.

In countries such as the U.S., Canada and Japan the Government provides part of the export finance by lending directly through State-owned Eximbanks, the commercial banks providing the rest. The more usual system in Europe is for the fixed rate finance to be provided by the commercial banks with the government refinancing part of the funds and making up the difference between the fixed rate and market interest rates—the fixed rate nowadays generally complying with the OECD guidelines which varies from 7½ to 8 per cent depending on the repayment period and *the status of* the country.

The finance provided by commercial banks in the case of supplier credit is, in the U.S. and UK, extended against bank guarantees while buyer credits are almost always extended against bank guarantees. In the case of supplier credits the UK *is the only major exporting* country to provide 100 per cent *unconditional bank guarantees.* The UK, U.S., and Canada also provide 100 per cent guarantees against buyer credits, though again the only unconditional guarantee is provided by ECGD.

The extent to which banks are refinanced varies. In the UK the arrangement was changed just over a year ago so that banks now carry the first five years of all sterling financing on their own books with ECGD refinancing the period of the loan over five years. Additionally, in a bid to reduce the refinancing burden, the UK now "encourages" exporters to finance contracts over £5m in foreign currency when the banks raise the necessary finance on the Euromarkets.

In France the banks are financed through the BFCE (Banque Francaise du Commerce Exterieur) on a variable scale depending on the length of the credit ranging from 58 per cent of the loan value on credits of up to two years to 72 per cent on loans of six years or more. For long-term credits of seven years and over all the amount over seven years is refinanced by BFCE in the case of supplier credits. Where buyer credits run over seven *years BFCE finances maturities* over seven years through a direct loan to the buyer at a rate fixed by the Ministry of the Economy and Finance. This part of the loan may be financed in foreign currency.

Italian medium and long-term export finance is provided by the medium-credit institutions whose shareholders are the main banks with the Government-owned Mediocredito providing partial refinancing up to 85 per cent of the loan value advanced in lire or in foreign currency in combination with *an interest rate subsidy.* Whether Mediocredito partially refinances or does so in combination with an interest subsidy or simply provides an interest subsidy depends on the financial resources which it has available.

The systems of providing medium and long-term finance in Japan and the U.S. are quite different. It is provided as a combination of fixed rate finance supplied by a government - owned Eximbank and floating market rate finance put up by the commercial banks.

In *Japan* the Eximbank interest rate varies from 6 to 9 per cent depending on the prevailing market rates so that the actual rate charged is a blend of the two which complies with the OECD guidelines. The average rate is over 7 per cent while the length of credit ranges from seven to 20 years. The commercial banks generally put up about 40 per cent of the financing but this has been increasing as Eximbank attempts to reduce the cost of its support.

The U.S. system is similar in *principle, the main difference* being that the fixed Eximbank rate is set higher at between 7¾ per cent and 8¾ per cent depending on the length of credit though this is partially offset by the fact that there is no additional credit insurance premium as in the U.K. But this higher Eximbank rate in combination with higher market *rates—private banks charge a* fluctuating rate which is between 1 and 1½ per cent above base rate—makes the blended rate more expensive and the U.S. exporter less competitive.

The direct Eximbank loan may be as low as 30 per cent though it has generally been between 40 and 65 per cent of the contract value. But as U.S. interest rates have risen the Eximbank share of the financing has increased—especially since the dispute with the EEC. *In some cases the whole of the financing is now being provided* by Eximbank while some 50 per cent of its loans are being offered at rates which are lower than normal fixed rates.

Failure

The U.S. has said that it sees little prospect of making any progress in eliminating export credit competition this year following the failure of the January meeting. Nevertheless the usual half yearly review meeting this week will still take place when Italy is expected to be under attack for its alleged decision not to charge an insurance premium on the $500m loan it has offered to East Germany.

Meanwhile a study has been commissioned to evaluate the relationship between inflation rates, exchange rates and interest rates. This again has been largely prompted by the U.S. which feels that interest rate guidelines for hard currencies should be lower than those set for weaker currencies. It is particularly annoyed that countries like the UK *and Italy,* which offer dollar financing, are able to do so at guideline interest rates of around 8 per cent when market rates are between 13 and 14 per cent.

The French and UK export insurance and finance systems are generally considered to be the more generous. In some areas France has the edge—its cost escalation cover is open-ended while it offers pre-shipment finance facilities and uses credits mixes—a combination of export credits and aid funds—quite extensively. On the *other hand the UK offers* unconditional 100 per cent bank guarantees and provides project participants insolvency cover for UK members of a consortium involved in a "jumbo" project. UK exporters also have the advantage of easy access to the sophisticated London financial markets and banking community.

Margaret Hughes

This and the following two pages review the characteristics and development of the world's main financial centres. They circle the globe, and thus provide facilities for the international banking community on a round-the-clock basis.

The main centres

London

Two key factors lay behind the extraordinary ability of London to remain the world's financial centre after sterling had lost its role as a world currency. The first was the world's adoption of the dollar as its chief trading and investment currency. The second was a regulatory environment in the U.S. which drove a large proportion of the market in dollar deposits offshore, and to London.

This U.S. regulatory climate had various components: 1) a lack of interest payments on the reserves deposited with the Fed by U.S. banks; 2) a ceiling on the rates U.S. banks could pay on deposits; 3) restrictions on overseas lending by U.S. banks; 4) a tax on interest paid to the U.S. by borrowers abroad; and 5) the stringent requirements of the Securities and Exchange Commission.

London provided a natural alternative because of the common language, because of the "special relationship," because of a fortuitous position in the world's time zones, because U.S. banks were already well represented there, and because it had built up a formidable financial infrastructure in deploying the pound sterling world-wide. Most important of all, it had an informal regulatory climate which did not stifle the development of the various facets of the Euromarkets or deter banks of other nationalities from following the U.S. banks to their chosen international centre.

The post-war expansion of the international bank business in London was at its peak in the early seventies with approximately 25 new banks per year opening in the City during that period. After the Herstatt shock spread through the Euromarket in 1974, and the City's own secondary banking crisis, the flow slowed considerably. It picked up a bit in 1978 when 11 new banks set up direct representation here and another 14 achieved an indirect presence via consortium banks.

Currently a total of some 400 banks are represented either directly or indirectly in the City. Of the 100 largest banks in the world only six have no representation there. London's share of Euro-deposits—that is deposits of currencies outside the countries "owning" those currencies—has slipped a little of late from 40 per cent four years ago to one third today. But such has been the growth of the Eurocurrency market, and the Eurodollar market in particular, that this slight slippage has not prevented there being a vast increase in the volume of funds deployed via London.

London has now developed such an infrastructure to support the presence of these banks, and the banks themselves have invested such sums in the establishment of a presence here that it would be rash to suggest that London's position could be reduced as fast as it has grown. But there are a number of factors hinting that the boom days are over.

● The bulk of the banks that would be "conspicuously absent" from London have already come to London.

● Profitability in the Eurocurrency lending business is under obvious pressure—partly because of the numbers of participants.

● The regulatory climate in London has stiffened. The collapse of the secondary banks led to Britain's first Banking law and to a considerable reinforcement of the Bank of England's regulatory system.

● There are supranational pressures trying to "normalise" international banking rules. The EEC Commission is one example. The current argument over the need for concerted regulation of the Euromarkets is another.

● The position of the dollar has suffered of late. The share of other currencies in the Euromarkets has risen, particularly in the bond market.

● It is unlikely that London will become a centre for the deployment of other currencies in the same way as it became the home of the offshore dollar. Countries now want their own banks to benefit from the international use of their currency.

● New York is toying with the idea of an offshore banking centre which would make Eurodollar operations possible in New York City.

The importance of these factors varies widely, and the affection of banks and bankers for London life and the City's unique regulatory climate should not be under-estimated. But taken together they do suggest that the rather special circumstances that gave rise to the City's emergence as the centre of the Eurocurrency market may no longer be so clearly stacked in London's favour.

Nicholas Colchester

New York

OVER THE past decade New York's role as an international financial centre has been greatly enhanced. This has been most apparent in the rapid expansion of the role of foreign banks in the city but that is not the only evidence.

The growing stature of New York has not yet begun seriously to erode the importance of London but many New York bankers believe that London may at least have to accept that its share of future expansion of international banking business will be diminished if as seems likely New York continues to gain in importance.

The most dramatic and concrete illustration of the increased importance of New York as an international banking centre is provided by the rapid build-up in the number of foreign banks operating in the city and in the assets under their control.

In 1972 there were 53 foreign banks with offices in New York: their total assets amounted to $17bn. Today there are 125 foreign banks and their assets have increased to over $80bn. These figures exclude the almost $5bn now under the control of Britain's National Westminster bank as a result of its acquisition of the National Bank of North America for $430m and the $12bn of assets which could come under the control of Hongkong and Shanghai Banking Corporation if it finally succeeds in clearing the regulatory hurdles in New York State involved in its purchase of a 51 per cent equity interest in Marine Midland, the thirteenth-largest U.S. bank in terms of assets. The Federal Reserve Board has already approved the deal.

Expansion of the foreign banks in New York has generally attracted attention because of the intense competition they have been providing to local banks in the lending markets. The figures are a little unreliable but as an order of magnitude they seem to suggest that around one-third of commercial loans made by banks in New York are currently made by foreign banks, the latter have had the advantage of being able to ignore the prime rate in pricing their loans and they have not been burdened with the cost of putting up reserves with the Federal Reserve System.

That, however, changed with the passage last year of the International Banking Act and the foreign bank's pricing advantage has thus been diminished. The growth of the foreign banking presence in New York has however greatly contributed to the city's stature as an international banking centre.

For one thing they have contributed to the rapid development of the New York foreign exchange market, giving it greater breadth and depth, particularly for spot transactions. Several other factors have reinforced this development. The volatility of floating exchange rates and the development of the 24-hour foreign exchange market in the various world centres are two of them. Since New York's market is open when both the European and Far Eastern markets are closed this too enhances New York's role.

The increased role the dollar has been playing in international lending and trade coupled with the removal of capital controls in the early 1970s have also enhanced New York's role, particularly with the development of the New York money market as a source or a home for wholesale funds.

It is not just the foreign banks which have contributed to the expansion of New York's importance as a money and foreign exchange trading centre. Major American banks too have located their trading operations in the city. Bank of America, for example, has an important foreign exchange trading operation in the Wall Street district, as do other U.S. banks.

It is often forgotton too that while the most obvious impact of the OPEC oil price increase in 1974 was to increase vastly the financial muscle of, ultimately, a few OPEC countries which have stayed in surplus a side effect was to reinforce the position of some U.S., particularly New York, banks which played a key role as financial intermediaries.

As these developments have taken place the New York banks have increasingly realised that they are being presented with opportunities for further expanding New York's role as an international financial centre. To some extent the city's brush with bankruptcy may have contributed to the banks' realisation that by building up the city's role as an international financial market they would be contributing to the city's economy and therefore its financial viability. As holders of New York City debt as well as in their banking role there are advantages to be gained.

The most dramatic manifestation of a determination to build up the city's importance came last year with a proposal which would result in the establishment of a free zone for international banking in New York. The proposal has been put forward in such a way that other states too could create free international banking zones — free that is of costly U.S. reserve requirements on international business and from certain New York City and State income taxes. This proposal is still being reviewed by the Federal Reserve Board and the outcome is uncertain. If it goes through New York's bankers expect that more of the international business could be carried out in New York rather than through offshore banking centres.

Some bankers see in the Fed's decision on the issue a symbol of the central bank's willingness to play a role in the development of New York and the U.S. as an international financial market similar to the role played by the Bank of England.

Even if the Federal turns down the proposal, however, the bankers are unlikely to give up and will continue to look for other ways to achieve their objective. Some have actively promoted proposals to reform the reserve requirements of the central bank in a way which would have a similar result. Thus while the New York Banks have suffered from competition with foreign banks in their domestic market in terms of the growing importance of New York as a financial centre they are benefiting from it.

Stewart Fleming

Zurich

WHAT IS generally thought of as the Zurich financial centre is really much more a Swiss financial centre with Zurich as its principal site.

In fact, the country's biggest commercial bank—Swiss Bank Corporation—is based in Basle and the Swiss Volksbank, as number four in the top five, in Berne.

With an annual turnover of about SwFr 100bn, Zurich has the biggest Stock Exchange, but there are also important bourses in Basle (with a 1978 turnover of SwFr 19.8bn) and Geneva and smaller exchanges in Berne, Lausanne, Neuchâtel and St. Gall.

Geneva is also a substantial banking centre, best-known internationally for its private and foreign banks.

Zurich, both with its own banks—leading among them Union Bank of Switzerland, Crédit Suisse, the Zurich Cantonal Bank and Bank Leu—and with the large-scale operations there of those domiciled elsewhere, is definitely the focal point of international business.

It has long been the world's biggest foreign exchange and gold clearing house, while the Swiss capital markets are the source for Europe'e most important single supply of funds; in 1978, foreign borrowings in the form of bank loans, private placements and bond issues amounted to SwFr 22bn (nearly $13bn at present exchange rates).

Some 30 per cent or more of all Euro-issues are believed to be placed through Swiss banks and probably a higher share still of secondary Euro-bond trading is attributed to Switzerland.

Zurich itself is the main centre of the country's huge (estimates speak of several hundred billion francs' worth) portfolio management business.

It is difficult to quantify, in exact terms, the dimensions of Zurich and Switzerland as a financial centre. Two figures may be indicative, however, apart from the volume of foreign borrowings already referred to. Net foreign assets of Swiss banks amounted to SwFr 29.7bn at the end of this year. And turnover on the country's foreign-exchange market was recently put at an annual SwFr 2,000bn.

There are various attractions offered by Switzerland to the international financial community. One is the absolute political stability the country has offered for a century and more; allied to this is the firmness of the Swiss franc, which only once in its career—in the mid-30s — has experienced devaluation.

The hallowed principle of banking secrecy has also drawn a great deal of money from abroad, particularly since contraventions against foreign tax and foreign-exchange regulations are generally not sufficient reason for the lifting of the secrecy rule and the granting of international legal aid.

Zurich, like Geneva, is also very well placed for international communications. Naturally, the building up of an important financial "industry" over the years—and this includes insurances, as well as banks—has itself brought in more custom.

In recent years, though, there have been increasing signs of a decline in the relative importance of Zurich as a financial centre. A series of measures aimed at dampening the overheated Swiss franc have drastically reduced the flow of new foreign deposits in this currency, while there have twice been temporary bans on foreign purchases of domestic securities.

Growing Swiss taxes and levies have contributed to a decrease in the country's role in Euro-market operations, as significent as these still are.

High Swiss operating costs and foreign-worker restrictions which make themselves particularly felt in urban regions such as Canton Zurich have, with other considerations, led to a near-cessation of the forming of new foreign banks. These—mainly centred in Zurich and Geneva—currently account for about 10 per cent of total Swiss banking.

There has long been a feeling in the country that the financial centre needs cutting down to a more reasonable size. The most influential proponent of this has been Dr. Fritz Leutwiler, president of the Swiss National Bank, who has done things to make it happen.

Now, the matter is being aired in the political arena. The Social Democratic Party, whose official newspaper on May Day spoke of the Swiss financial centre as a "fence for dubious international transactions," is backing a referendum motion, a major element of which would be the erosion of the banking secrecy rules. Though it will take years for the proposal to come before the voter and it is probable that it will then be rejected out of hand, the so-called "banking initiative" has put the international financial apparatus very much in the public eye.

Another Chiasso affair would do a great deal of harm to a sector which has for some years stopped being regarded as sacrosanct.

John Wicks
Zurich Correspondent

The main centres—continued

Frankfurt

FRANKFURT IS the financial heart of West Germany. Although it has been challenged by great commercial centres such as Hamburg, Duesseldorf and Munich, none of them has managed to dislodge it from its pre-eminence.

It is in international business that the city reigns supreme. Of the 300-plus banks located in Frankfurt, about 160 are foreign bank branches or representative offices.

Few countries are as well banked as West Germany, and it would be impossible for a single city to corner the domestic corporate finance market in a country where the industrial majors are as widely dispersed as in the Federal Republic. Even so Frankfurt, geographically, gets far more than its fair share.

Although it lies deep in the heartland of the country, its location near the confluence of the Main and the Rhine have given it a long exporting tradition. Much export finance is done through Hamburg, but Frankfurt is also a major centre.

The city's banking traditions go back more than 650 years. The first recorded place of money exchange — on the Roemerberg in the heart of the city—dates back to 1402. Much of the business was generated by the regular international trade fairs which have been held in Frankfurt since the Middle Ages.

A stock exchange, called the "Burs" and the forerunner of the present Frankfurt bourse, was established by merchants in 1585. In doing so they laid the foundations for one of the West German banking industry's most important activities. Since then the city has provided Europe with many of its leading bankers, not least the Rothschilds.

Goethe—the city's favourite son—claimed that the predominant sound in Frankfurt was the chinking of coins. It was a shrewd observation, for scarcely more than half a century later the city, it was claimed, had one bank for every 170 citizens.

Today the city houses some 140 West German financial institutions and is also the home of the Bundesbank, West Germany's central bank. It also provides a home for most of the foreign banks represented in the Federal Republic.

While Frankfurt has long traditions as banking centre, it was probably its history in the aftermath of World War II which established its current pre-eminence. Frankfurt was the centre of the American occupation and for some time seemed certain to become the capital of the newly-created Federal Republic.

It missed by a hair's breadth. The reason, it is widely claimed, was that Dr. Konrad Ardenauer, the Chancellor who created the new democratic Germany, had a villa near Bonn, then a quiet university town noted only for scholarship and as the birthplace of Beethoven.

Frankfurt, as centre of the American zone, did more, however, to attract and aid refugees and displaced persons from all over Greater Germany than any other West German city. It was a heavy burden, but one that yielded a wealth of talent for the city and its industry. Even today it is seldom that one meets a person actually born in Frankfurt.

The city's internationalism, coupled with the powerful American presence, attracted the foreign banks. In 1957 some 15 foreign banks—mainly American—had branches in Germany, most of them in Frankfurt. By 1975 the number had increased to 49 and by the start of this year Bundesbank figures show 54—again with the great majority in Frankfurt.

It is difficult to assess the size of the foreign banks' business. At the end of last year the aggregate business volume of the 53 foreign bank branches reporting to the Central Bank was DM 38.16bn—small beer compared with a total business volume for all German banks of DM 1,988.17bn. The foreign banks' figure ignores, however, the business generated by the many representative offices, which are not obliged to report to the Bundesbank.

While the total business transacted by the foreign banks here is undoubtedly substantial, most foreign bankers are agreed that Frankfurt is a difficult city in which to work. West Germany's universal banking system is a tough nut to crack. The German banks have a close relationship with industry and the foreigner finds it hard to compete against long-term relationships.

On the other hand there has been no exodus from Frankfurt on the part of the foreign banks—quite the reverse, they keep on coming. The truth is perhaps that Frankfurt has a long banking history and it is a hard thing to teach an old lady to suck eggs.

Guy Hawtin
Frankfurt Correspondent

Paris

The rapid development of French banking over the past 12 years is now levelling off. It leaves the country's financial apparatus still heavily concentrated in Paris. The capital's role rooted in the 19th century, has been reinforced, and banking skills that were often thought lacking in comparison with London have been brought up to scratch through the big banks' exposure to competition in their expanding overseas activities.

The city's weight in banking is illustrated by arrival in the world top 10 of three French commercial banks—BNP, Crédit Lyonnais and Société Générale—and a fourth if one counts the farmers' bank Crédit Agricole; by the large share of their business done abroad, more than for most other non-U.S. banks; by the part they play as intermediaries in the Eurocurrency markets; and by the number of banks from oil-exporting countries which have set up shop.

Out of 380 banks registered in France as of December 31, 106 were foreign, 12 more than two years previously.

A lingering reputation for difficult regulations, together with the State's predominant role on the French banking scene, still provide inhibiting factors. But French banking authorities reckon their regulatory system compares on roughly equal terms with London's. Exports of resident French capital are subject to strict supervision, and safeguards are imposed to stop speculation against the franc and to prevent both banks and non-banks building up liquid foreign currency balances outside France. But otherwise banks have considerable freedom in their international operations.

The main State and private sector banks rank among the most active managers on the Eurocurrency market, and the Euro-French franc has staged a revival since last autumn, when it reopened for the first time since 1978. Issues have been coming at a rate of about one a month. The start-up of the European Monetary System, which brings the French franc back into the European currency line-up, has enhanced confidence in the franc's stability, underpinned by the Barre Government's austere economic policy.

However, the Treasury has pursued its strategy of keeping the Eurofranc's role fairly minor, and is exercising strict control on the market, limited to top-quality borrowers.

The domestic bond market has hit record levels since the general elections of March last year, and terms have been increasingly favourable to borrowers. But the growth has taken place entirely in the State and semi-State sectors, and private sector bond issues have in fact stagnated.

Bond issues play a smaller part in company financing than in West Germany, Britain or the U.S. In the 1960s industry was steered towards increased borrowing in the form of bank loans, a deliberate tactic in view of its low indebtedness at the time.

This emphasis has shifted since last summer, with a series of Government incentives aimed to increase companies' interest in raising new equity capital and savers' interest in the stock market.

Most important among these is the tax exemption of up to FFr 5,000—more for families—for savings that go into French shares or into mutual funds with 60 per cent of French shares. This has led to a big inflow into the mutual funds known as Sicavs, which played a part in last year's massive Bourse recovery. A spate of new issues on the Bourse has apparently run out of steam, however, and the time when politics ruled the market seems to have played itself out for the time being. The Bourse has been hampered by a long clerks' strike earlier this year.

Its expansion is meanwhile bogged down by old-fashioned methods. Quotations are still chalked up and divided into three sections. The Stock Exchange Commission is pressing to get things computerised. It is also pressing—not with total success—for French companies to inform shareholders better.

David White

Tokyo

IN LINE with the rise in Japan's economic power, Tokyo has been increasing in importance as a financial market and may depending on Japanese policy-makers' decision — develop into a world centre.

Encouraged by Japan's need to increase the export of capital—partly to offset its huge trade surplus—flotation of Yen-denominated Samurai bonds by foreign issues on the Tokyo capital market in 1978 increased sharply to nearly $4bn, including privately placed bonds, compared with $1.6bn in 1977, ranking Tokyo equal with Frankfurt and Zurich and far above Singapore.

A sharp rise in secondary market yields for Japanese bonds, however, and a steady fall in Japan's current account surplus since late 1978, reducing the need for export of capital, are expected to decrease temporarily the number of Samurai bond issues in 1979. The change in the Japanese bond market has been brought about mainly by the flotation of large amounts of national bonds by the Japanese Government, which may crowd out issues by other borrowers.

Trading on the Tokyo foreign exchange market nowadays totals nearly $2bn a day, including swap and forward transactions as well as spot trading, and is about double the level a few years ago. This is approximately at the same level as trading in Singapore, but some Japanese dealers believe the Singapore trading volume, based on local banks' monthly reports to the Monetary Authority of Singapore, contains more duplication than the volume in Tokyo which is based on daily reports to the Bank of Japan. The Hong Kong market is believed to be much smaller, although it is technically difficult to assess.

The sharp increase in trading volume in Tokyo, especially since last year, has been caused largely by the erratic fluctuations in the yen-dollar exchange rate during the Japanese currency's sharp appreciation until President Carter's dollar-boosting package announced on November 1 last and its turnaround since then.

There has been an increase in the arbitrage operations by foreign and Japanese banks, which account respectively for 30 per cent and 70 per cent of trading in Tokyo. An increase in capital movements and an easing of exchange controls, such as expansion of yen-dollar swap quotas for foreign banks and relaxation of limits for net actual short-dollar positions for Japanese banks, were among other contributing factors.

The so-called dollar call market in Tokyo, where dollars are lent instead of deposited because of the tax factor, now has a trading volume of $300m a day. The market is far behind the Asian dollar market in Singapore, mainly because non-residents are not allowed to participate. Rates are almost constantly one-sixteenth above the Eurodollar rates, so trading is mainly between smaller banks, which have no direct access to Euro-dollar paper, and the larger ones.

The Bank of Japan believes the Japanese foreign exchange market which is rather like a local market, has made a rapid advance in recent years because the yen has been actively traded in overseas markets and the trading balance has come to affect the Japanese market.

As a result, exchange operations by banks at their own risk are relatively restricted, and the surplus or deficit balance on daily customers' transactions and on overseas offices' transactions is likely to be directly reflected on the local Japanese market.

Tendency

Because of the restricted nature of the market, there is a strong tendency for movements of exports and imports (totalling about $190bn a year) and inflow and outflow of short and long-term capital to have a direct influence on the fluctuation of exchange rates. Because of wide seasonal fluctuations, trading in export and import bills tends to lean towards either straight selling or straight buying in the market.

These factors, as well as the fact that between 20 per cent and 30 per cent of Japanese exports are settled in yen but nearly all of Japanese imports in U.S. dollars, sometimes cause erratic fluctuations in the yen-dollar exchange rate, as witnessed in the 1971-72 period and the 1977-78 period.

When Japan's balance of payments position deteriorated after the oil crisis of 1973, the Bank of Japan actively sold Japanese national bonds to foreign governments and central banks to increase the inflow of long-term capital. Subsequent appreciation of the yen, especially after the unsuccessful Japanese attempt to hold down the yen rate at a level unjustified by the underlying condition, greatly increased their holdings of the Japanese currency as part of their reserves.

Nowadays it is estimated that more than 40 nations are holding yen accounts with the Bank of Japan, totalling closer to $10bn than $5bn.

Despite massive dollar-buying intervention by the Bank of Japan, Japan was unable to stop a sharp appreciation of the yen, which reached Y175 a dollar in October 1978, until the Federal Reserve Bank acted to invoke its swap line with the Bank of Japan as part of the Carter package announced on November 1. The pressure to buy yen with dollars was so great that it was impossible for Japan to halt it single-handed.

Since then, however, the yen has depreciated considerably, partly under the prospect of higher oil prices. On a long-term basis a relative decline in the strength of the U.S. dollar is expected to increase the international demand for the Deutsche Mark, supported by the EMS, and the yen to increase its international role.

Japanese monetary officials say they have more or less followed the external demand for yen, without actively trying to push the yen into international markets—because an international currency cannot be created by authority. This policy of supporting the natural evolution of the yen into an international currency will be continued, they say.

Some officials assert, however, that a nation needs more political and military power internationally than Japan has at present to make its currency a real key currency along with the U.S. dollar.

Whether or not Tokyo will develop into a major world money market depends on how far Japanese monetary officials decide to go in meeting domestic and foreign pressures for liberalisation. Many Japanese bankers say the kind of erratic fluctuations in the yen's exchange rate that is very costly to the Japanese economy will be avoided if exchange controls are loosened to allow the market mechanism to work properly in the Tokyo foreign exchange market.

Foreign bankers say that internationalisation of financial markets implies a freely convertible currency and open money and capital markets, with interest rates determined by the law of supply and demand. Internationalisation of the financial markets would weaken the relationship between the foreign exchange rate of the yen and the Japanese current account.

In the long run, besides benefiting the country as a whole, Japanese banks would also benefit from Tokyo becoming the major financial centre that internationalisation would make it by enabling them to offer a more complete package of services from a Tokyo base, rather than forcing potential clients to look elsewhere.

Another possibility is that the dollar call market may be opened to non-residents, with some tax benefits similar to those given in Singapore. Such a measure will create a "Tokyo dollar" market far larger than the Asian dollar market in Singapore. For the time being, however, Japanese monetary officials say they see no need to open the Japanese market to cater for demands for dollars outside Japan's own requirements.

The Japanese Finance Ministry and the Ministry of International Trade and Industry are currently trying to rewrite the 1947 Foreign Exchange Law and Foreign Investment Law and combine them into a new combined legislation. The main aim of the operation is to change the principle of the old laws, that restrictions are the rule and permissions an exception, into a new one that most transactions are free in principle except powers are held to impose restrictions in an emergency. Although the new law is not expected to bring about any immediate major changes, it may open the way for major improvements in the future.

Saburo Matsukawa

The main centres—continued

Asiadollar

LIKE ITS European counterpart, the Asiadollar market showed substantial net growth last year, albeit with some apparent shift in the balance of advantage from Hong Kong to the other principal centre of the market, Singapore. Manila's emergent role in the market expanded significantly too.

The popularly conceived role of the two principal centres of the market is of Singapore as the main inter-bank funding centre while Hong Kong is regarded as being the place where most of the lending action takes place.

Broadly speaking this view is correct, although somewhat over-simplistic and 1978 saw an expansion of Singapore's relative importance as a lending as well as funding centre while Hong Kong's lending activity declined somewhat, mainly under the impact of a new tax on offshore interest. Manila, for its part, served largely as a funding centre for Asiadollars, as did the rapidly growing Bahrein market for Gulfdollars.

Singapore is readily identifiable as the principal Asiadollar centre simply because the official Monetary Authority of Singapore regularly publishes specific figures on the market, whereas in Hong Kong offshore lending statistics are lumped together with the general banking statistics and do not allow the source and use of offshore funds to be identified. There is growing pressure now for separate statistics to be published in Hong Kong because of the vital contribution which invisible exports such as financial services make to the economy. But so far there is no indication of when such figures might be produced.

In addition, banks in Hong Kong do not need effectively to seal off their offshore banking units—"Asian Currency Units or ACUs"—as they are known in Singapore and "Offshore Banking Units or OBUs" in Manila—from their domestic banking operations because of the complete absence of exchange controls in the colony. Singapore too abandoned the last vestiges of exchange control last year but continues to regard offshore banking separately from domestic banking.

One effect of this liberalisation in Singapore was a move by residents to convert Singapore dollars into U.S. dollars via the ACUs—seven more were added to the total of these units last year, bringing the total to 85—to take advantage of relatively high Euro/Asiadollar interest rates. Borrowers were also attracted to the markets by the weakness of the U.S. dollar.

The overall size of the Singapore-based Asiadollar market grew by nearly 30 per cent in 1978 to just over U.S.$27bn in terms of total assets/liabilities—a substantially higher growth than the 20 per cent seen in 1977.

One encouraging aspect of this growth in the now ten-year-old Singapore market for Asiadollars, as the Monetary Authority of Singapore sees it, was that a greater although still small part of the total market was accounted for by non-bank transactions. The fact that Singapore levies no witholding tax on interest paid to offshore lenders (whereas Hong Kong does) has encouraged the use of the island republic as an inter-bank funding centre.

Nevertheless, last year saw a 60 per cent growth in deposits of non-bank customers in the Singapore Asiadollar market, from U.S.$2.25bn to U.S.$3.6bn, compared with a 15 per cent rise in 1977. In addition, loans to non-bank customers grew by 33 per cent, from U.S.$4.78bn to U.S.$6.38bn.

The growing importance of non-bank activity was seen by official eyes in Singapore as evidence as a real demand for funds in the region being met, and as of evidence of an increased willingness by investors to deposit funds in the market. A MAS survey of the market showed that Asian countries accounted for 77 per cent of total assets (loans) and for 49 per cent of the total liabilities (deposits). The Association of South-East Asian Nations (ASEAN) bloc, excluding Singapore but including its other four members — Indonesia, Malaysia, the Philippines and Thailand—accounted for 16 per cent of total assets and six per cent of total liabilities.

Singapore in any case is not inclined to accept the popular view of its Asiadollar market playing a passive role as a funding source while other centres such as Hong Kong are more active. Any traffic passing through Singapore en route to its final destination can be seen as an active function, the authorities argue. Even so, bankers tend to see much of the Asiadollar market activity in Singapore as position-squaring by international banks operating through global time zones in Bahrein and elsewhere as well as in Singapore.

Be that as it may, the market in Singapore is growing to substantial proportions and even though it is still dwarfed by the U.S.$ 800bn Eurodollar market its initial growth has been as impressive as that of the Euromarkets, and demand for as well as provision of funds to the market can be expected to develop in line with the economic growth of ASEAN.

The Singapore market has yet to take root firmly at long-term end, however. Last year a dozen Singapore-based Asiadollar bond issues were made, totalling U.S.$ 454m against U.S.$ 368m in 1977—an encouraging 24 per cent rise but still peanuts in international financing terms. The lack of an active secondary market for bonds in Singapore is often blamed for this, although some bankers argue that this inactivity is in turn a function of the small primary market, so it is a chicken and egg situation.

Meanwhile in Hong Kong the amount of outstanding foreign loans by the banking system last year declined from HK$ 19.3bn at the beginning of the year to HK$ 16.5bn at the end of December. Almost certainly one major factor behind this was the decision announced in February 1978 by Financial Secretary Philip Haddon-Cave to tax offshore interest profits of banks at a rate of 17 per cent, whereas before they had been tax-exempt.

This controversial move, whose aim was to create greater equity of taxation between the banking and the trading community, led to suggestions by some U.S. bankers that they would move the offshore loan portfolios wholesale out of Hong Kong to Singapore and other Asia/Eurodollar centres, although no such massive exodus appears in fact to have occurred. Moreover, the full impact of the tax has yet to be felt when assessments arrive and it is not impossible that the implementation of the new law could yet be challenged in the courts.

Another factor behind the reduction in foreign loans was probably growing disenchantment among bankers at lending on fine spreads to the Philippines (for political reasons) and to South Korea (for inflation reasons) — countries both traditionally serviced by bankers from Hong Kong.

In Manila the combined assets/liabilities of the 16 OBUs operative there — a 17th, Bank Sedarat of Iran, is not yet on stream — grew sharply last year, from U.S.$ 767m to U.S.$ 1.95bn. Of total liabilities, U.S.$ 1.24bn were represented by deposits from banks outside the country, and the remainder from banks inside.

Anthony Rowley

The Middle East

THE TERM "financial centre" is much abused in the Middle Eastern context. Many cities claim to be financial centres; none is in the true sense.

Such a centre presupposes a range of banks, domestic, foreign, commercial, investment and specialised (such as industrial or development banks); finance companies; insurance companies; money brokers; a central bank or monetary authority with enough clout to control the local market; a stock exchange; and a variety of instruments ranging from money market to long-term debt instruments.

Only Kuwait and Bahrain have made any attempt to evolve a range of institutions and instruments, and each still suffers from notable gaps. Amman has made a late start, but for an *economy totally bereft of oil has* blossomed remarkably quickly. Beirut, even before the civil war, never really fitted the bill, and has lost all hope of recovering any regional role in Arab finance for the foreseeable future.

Cairo has succeeded in attracting *a lot of foreign banks, not* so much in an attempt to fulfil a regional role — though President Sadat and his advisers no doubt hoped this would result — as in an attempt to rouse the Egyptian private sector out of its torpor as the country was opened up again to foreign investment.

The inflow of banks began in 1975 after economic liberalisation had got under way the previous year under Law 43. Several major American banks established joint venture banks with local institutions. These have been among the most successful and profitable, in the case especially Chase National Bank.

But few of the new arrivals fulfilled the role the Central Bank hoped for, of assisting the development process, and there have been mutterings in the People's Assembly over the way *foreign bank branches and joint* ventures have made handsome profits by simply providing retail services that the grossly inefficient and bureaucratic domestic banks were incapable of doing.

Only the Misr Iran Development Bank — a joint venture between Egypt and Iran—and Cairo Barclays *International* Bank—a similar venture between Barclays and the Banque du Caire — have concentrated on *lending for projects.* But for all the banks in Egypt, the opportunities in the local market are so great, and the spreads obtainable on Eurodollar loans so wide by international standards, that there is little point in looking outside the country for business. And the Baghdad summit decisions are now making that more and more difficult in any case.

The United Arab Emirates should have been a natural location for a real financial centre. Abu Dhabi's oil wealth coupled with Dubai's trading history and communications gave it advantages over the rest of the Gulf States. But the adminis*trative infrastructure turned out* to be very weak and vital decisions on banking were deferred for political reasons until the opportunity was missed.

The UAE Currency Board lacked authority and the plethora of banks continued to swell until even now there are more *foreign banks* operating in the Emirates than in the U.S. A modified form of offshore banking was introduced in 1976 with restricted licence banks (RLBs) but these never took off. The run on the dirham and the banking crisis in the first half of 1977 compounded the problems.

Abu Dhabi does have two major institutions which are making their names known internationally. The ten-year-old National Bank of Abu Dhabi is superimposing investment banking activities on to its commercial banking background and, *as well as opening branches in* London, Paris and perhaps later this year in the U.S., has become active in managing syndicated loans and bond issues for Arab and *foreign* borrowers.

The Abu Dhabi Investment Company, majority-owned like the National Bank by the *Abu Dhabi Investment Authority, got* off to a flying start after its foundation early in 1977 and rapidly became known in the international markets for clinching aggressively priced deals (it has since slowed the pace). But two internationally oriented institutions do not necessarily make a *financial* centre, even if they are helping local investors outside the big officials funds to become more sophisticated.

Kuwait in many ways has developed furthest as a financial centre in the Midle East. But there are two major drawbacks: *the virtual monopoly of the six* commercial banks and the lack of a short-term money market.

The monopoly position of the Kuwaiti banks has been supported by the ban on foreign banks, with the exception of the Bank of Bahrain and Kuwait, which in any case is 50 per cent Kuwaiti owned. *The only way* foreign banks can get a foot through the door into the lucrative Kuwaiti market is via a minority shareholding in a Kuwaiti-dominated finance or investment company.

Influence

In the past, foreign banks have also been able to wield influence through the contracts they were given to manage the *Kuwaiti banks.* But by changing management banks, watering down the contract or recruiting general managers direct, the Kuwaitis have reduced the advantages of this method of penetrating the local market.

Kuwaiti bankers do not basically *relish* competition. They consider six banks enough. The reason is that the Kuwaiti shareholders in their banks have become accustomed to high profits each year, and stock exchange prices of bank shares are *astronomic* in relation to earnings. Competition upsets the whole applecart. They have already experienced it *from Bahrain* in a *limited* form over the past two or three years and that has caused problems.

Bankers from the offshore banking units (OBUs) there have had to market aggressively *in the region to justify the high* costs of setting up shop in Bahrain. Lending against the balance sheet and cost-plus pricing have come as a rude *awakening to the Kuwaiti* banks.

While liquidity at the short end of the market remains tight in Kuwait — because of large-scale conversion from the Kuwaiti dinar to the dollar since the Carter package in November, and the political *uncertainty caused by Iran* — medium-term liquidity has been healthy for some time, and has encouraged the banks to seek more actively for lending opportunities in the Euromarkets. The banks are thus supplementing the role already well established by the major invest*ment companies, which have* been well known abroad since 1974.

The majority Government-owned Kuwait Foreign Trading Contracting and Investment Company and the Kuwait Investment Company, even with their official Ministry of Finance *funds to play with, have* never been able to re-live the halcyon days of 1974-75 when they were courted as lead and co-managers of issues by the top Western investment houses. But in the last few months, there has been a revival of interest in the Gulf banks among the Western investment houses as the Eurobond market has dried up and OPEC seemed assured of a relatively large surplus again in 1979.

Meanwhile, the Kuwaiti houses, led by the privately owned Kuwait International *Investment Company, have* shifted their attention to the Kuwaiti dinar market. Last year saw a record number of issues, with 18 totalling KD154m (three of them for local borrowers). The high point of the market last year was the KD10m 12-year issue at 7½ per cent for the City of Oslo, the first time since 1974 (when Oesterreichische Kontrollbank raised a small amount) that a triple-A *borrower* has entered the market.

In that time the secondary market has been developed through the *activities* of the Arab Company for Trading Securities (ACTS), coupons for new issues lowered, amounts raised and maturities lengthened (Oslo's 12 years being the longest yet seen). But the gyrations in short-term rates have cast some doubts over the long-term development of the market, even if it can easily be shown that the dinar has moved consistently and gradually *upwards against the dollar* and that revaluation is very unlikely.

Short-term rates hit 50 per cent *at one point in January* before plunging back to 8 per cent, highlighting the central bank's inability to control liquidity in the market. Even when the promised central bank bills materialise, bankers in Kuwait doubt how effective they will be. The educative process still probably has not gone far enough, even in Kuwait, for banks to buy and sell the bills when technically it would be desirable for them to do so for the health of the short-term market. At the same time, while a number of tranche and tap CD issues have been made for local banks, fitful trading has emphasised *how much further the money* market still has to develop.

In Bahrain the emphasis is on foreign exchange and money market operations, though around a dozen of the 50 OBUs have realised that this is an unreliable source of income and have actively marketed their *loans, letters of credit,* guarantee facilities and investment services in Kuwait, Saudi Arabia, the UAE and elsewhere in the Arabian peninsula.

Definition

But Saudi Arabia is the only *real market* left to them. The Central Bank of Kuwait recently changed its definition of liquid assets for the Kuwaiti banks, requiring assets of one month or less to be held in Kuwait. This raised the cost of KD funds to Bahrain, where much of Kuwaiti's short-term money had *previously been deposited. The* Kuwaiti banks also ganged up on the OBUs by refusing to lend available KD funds and raising rates to levels where it became uneconomic for OBUs to lend back to Kuwaiti customers.

Opportunities are shrinking in Saudi Arabia too, with many Ministries months late paying contractors for work already completed and with Saudi-isation of the foreign banks in the Kingdom increasing the geographical spread and capitalisation of the Saudi banking sector.

The contraction of opportunities for OBUs and the drying up of liquidity in the Gulf are underlined by the slowdown in growth of total OBU assets. In the last quarter of 1978 only $600m was added to the $22.8bn of September. This is why BAII, which already has an affiliate in Bahrain, has set up a new joint venture with Hill Samuel on the island to develop corporate financial and other investment banking services in the area, particularly Saudi Arabia.

Some bankers use Amman as their airport if they are doing *business in northern* Saudi Arabia—it's easy to reach by road and the frustrating Saudi airports can be avoided. But it is difficult to see Amman having much more than a peripheral role as a financial centre. It has a far-sighted central bank governor, Dr. Mohammad Said Nabulsi, and a comparative wealth, by Arab standards, of organisational talent. But its plans for offshore banking, still under discussion, seem to be aimed *more at Levantine business* that would have gone to Beirut and now probably goes to Paris.

There is little doubt that the efforts to get a capital market going in Amman have a lot of relevance to Jordan's own development needs. The establish*ment of the Amman Financial* Market (stock exchange) at the beginning of 1978, the listing of Government bonds since January 1979, the forthcoming listing of the first private corporate bond, the start of syndicated loans and certificates of deposit in Jordanian dinars and the *prospect of new investment* banking institutions to add to those already operating have all contributed to the channelling of funds into industrial development.

The strength and stability of the dinar and low interest rates (helped by a legal ceiling of 9 *per cent until liberalisation in* March) have made it cheaper for Jordanian companies to borrow domestically than in the international markets—as illustrated by the recent conversion by the Jordanian-Syrian Land Transport Company of a Syndicated Euredollar credit into a syndicated JD credit.

Brian Thompson

WORLD BANKING XXV

CANADA

Time of structural change

[C]ANADIAN BANKS and other [fi]nancial institutions are [a]pproaching two important [tu]rning points. A prolonged [st]eep rise of chartered bank [p]rofits is levelling off. Structurally, the long-awaited changes [t]o the Bank Act are still to [c]ome, but their eventual pattern [h]as become a good deal clearer.

For foreigners the most [im]portant innovation will be the [d]ecision to allow foreign-owned [b]anks to operate as such in [C]anada. That is common [g]round among the major politi[ca]l parties. Hence the principle [w]ill survive the election held [o]n May 22.

The revised Bank Act tabled [b]y the Trudeau Government in [1]978 proposed to legalise the [in]corporation of foreign-owned [b]anks under the following main [co]nditions: no more than five [b]ranches to be allowed; foreign [b]anks as a group to be limited [to] 15 per cent of commercial [fi]nancing in Canada; total assets [of] each foreign-owned bank not [to] exceed 20 times its authorised [ca]pital, with an effective limit [of] C$500m suggested though not written into the Bill.

Those who drafted the Bill, and the parliamentary committees that worked on it, had a dual purpose: to increase competition but also to bring *foreign banksr under control*, not to say restraint. For the fact of the matter is that foreign bankers, principally from the U.S. and UK, already do operate in Canada. But they do so as finance corporations or under some other inoccuous title since the current Bank Act reserves the title of bank for institutions under Canadian ownership; foreign shareholdings may not exceed 10 per cent.

Collectively the foreigners are lumped in with the so-called NBFIs (non-bank financial institutions) or near-banks which abound in Canada. In addition there are the suitcase bankers who do business largely on behalf of U.S. banks without being incorporated in Canada at all. Statistics on the subject are patchy. Mr. Michael Harrison, executive director of the Canadian Bakers' Association, estimates that foreign-owned financial institutions have a 12 per cent share in commercial lending in Canada.

Foreign-owned institutions reporting voluntarily to the *Bank of Canada* have increased their aggregate assets from C$1.6bn at end-1974 to more than C$3bn. The figures tell only part of the story, but do illustrate the trend.

Though the Bill of 1978 technically died with the dissolution of Parliament in March, in *practice the work done in the* finance committees of the Commons and the Senate is likely to remain valid. Their recommendations, especially those of the committee in the politically dominant Commons, retain much of their importance.

The Commons committee wanted to drop the five branch limit; the Senate committee would allow at least one branch in each province or territory, and would allow existing branches of foreign near-banks to continue. Both committees wanted to limit assets to 20 times authorised capital with no statutory limit. The Commons committee proposed to hold the foreign banks, as a group, to 10 per cent of aggregate domestic assets of all chartered banks. Under present conditions that would mean about C$11bn, whereas the Government *proposal* would work out at around C$8bn. The Senate proposed a less restrictive definition of commercial financing while otherwise sticking to the formula in the Bill.

Both committees thus wanted to relax restrictions in the Bill. They did, however, support the Government's intention to put foreign near-banks under pressure to become banks proper. To that end the Bill proposed that they should not be allowed to borrow with their parent bank's guarantee unless they ceased to remain near-banks. Since the foreigners operate mainly in the wholesale market where interest rates are finely calculated, that would hurt. Add to that the banker's usual unwillingness to fall foul of the authorities and you have a strong case for applying for bank status.

As banks, the foreign-owned institutions will have to maintain reserves with the Bank of Canada (but equally will have access to it as the lender of last resort). They will also come under the restrictions on bank activities which, in practice, ban Continental-style universal banking.

Besides the concession to foreign owners, the Bill also proposed to allow Canadian provinces (but not the federal Government) to become substantial shareholders for up to 10 years in new banks. In practice the law already permits them to own near-banks; Alberta, for instance, provides a retail savings bank network through the provincially owned Treasury Board. Overwhelmingly, however Canadian financial institutions are privately or co-operatively owned.

Their spectrum is broad. Next to the chartered banks, the trust companies are the largest group. *Like the main banks*, the bigger trust companies operate nationwide. Canada is a country of multi-branch banking, on the British model, and nearly all the chartered banks compete for small savings. In addition to the trust companies, *which have* savings bank operation besides their fiduciary business, the banks are up mainly against the competition of the co-operative credit unions, with their Quebec variant, the Caisses Desjardins.

Fastest

Since the end of 1976, when the current Bank Act took effect, the chartered banks have increased their total assets by 5.8 times to C$185bn, the trust and mortgage companies by more than five to C$37bn. The credit unions and caisses have grown fastest, by a factor of more than seven to C$22bn.

For constitutional reasons only the chartered banks are under the aegis of the Inspector General of Banks in Ottawa, who keeps a close watch on their solvency. The near-banks come under the purview of the provinces where they are incorporated.

The chartered banks are also alone in having to maintain monetary reserves with the Bank of Canada. The Governor, Mr. Gerald K. Bouey, has taken the view that as things stand that does not unduly hamper the conduct of monetary policy. The overall rules under which that policy is conducted were laid down after the so-called *money muddle* of 1960-1961, during which the then Governor, Mr. James Coyne, was forced from office after a difference of opinion with the Government. His successor and the Finance Minister issued statements to the effect that the Government had ultimate responsibility for monetary policy: the Governor either concurs or resigns.

The high interest policy of recent years coupled with the decline of the Canadian dollar *have been an important factor* in the rapid rise of chartered bank profits. Their aggregate balance of after tax revenue rose by 10 per cent in the year to October 31, 1977, by 32 per cent in the next 12 months, and may improve by another 16-20 per cent in 1978/79. But interest rates are expected to peak soon. Moreover, the Canadian dollar has made a recovery so that the large nominal profits derived from the increase, in Canadian dollar terms, of the banks' large foreign assets is ending. Finally, a most profitable tax loophole is being plugged. The bar ability to buy tax free preferred term shares as loan substitutes is being severely curtailed.

The cyclical position of the trust companies is the reverse of that of the banks. Their interest revenue, which comes largely from mortgages, has not been keeping up with the increased cost of their money. That may now change. On the longer term view, the trust companies were delighted by the refusal of the parliamentary committees to support the Government proposal that was going to remove existing restrictions on mortgage lending by the chartered banks.

W. L. Luetkens

THE BIG FIVE CANADIAN BANKS

	Total assets (C$bn end-'78)	After-tax balance of revenue (C$m '77/'78)	Eurosyndications 1978* Number and amounts (U.S.$) Manager		Co-manager		World ranking†
Royal Bank	44.2	233.9	23	($6.1bn)	33	($6.2bn)	23rd
Imperial of Commerce	40.2	192.5	10	($5.3bn)	45	($7.5bn)	30th
Bank of Montreal	33.7	193.5	25	($6.5bn)	37	($5.5bn)	51st
Nova Scotia	28.5	153.9	6	($2.8bn)	30	($7.1bn)	55th
Toronto-Dominion	24.4	129.2	9	($5.0bn)	40	($10.5bn)	67th

*Source: Euromoney. † Source: The Banker, June, 1978.

SOUTH AFRICA

Upheavals ahead

[T]HE *DECISION* by Britain's [M]idland Bank to close its [re]presentative office in Johannesburg in April is a clear indication of the continuing pressures on banks doing business [wi]th South Africa. In itself [th]e move was not a major blow [to] the South African banking [sy]stem. Midland's office had [al]ready been run down from [tw]o men to one, and it retains [a] foothold in the country [th]rough the European [Ba]nks International Consortium [(E]BIC). But the decision was [in]evitable ever since Midland [to]ok the *decision last year not* [to] make any further loans to [th]e South African Government [an]d its agencies.

[B]anks in South Africa are [cu]rrently trying to cope with [tw]o major upheavals. One is [th]e decline of the country's [int]ernational prestige as a borrower, resulting in the need to [be] more self-sufficient and step [up] domestic shareholdings in a [se]ctor where foreign controlled [ba]nks accounted for more than [90] per cent of commercial bank [de]posits in 1970. The other is [th]e rapid expansion and diversi[fic]ation of the banking system [in] the past decade, leading to [th]e establishment of a whole [ra]nge of specialised banks to [ch]allenge the dominance of the [m]ajor commercial banks.

The past year has been one of [co]nsolidation in both areas [w]hile the underlying desire for [in]ternational disengagement [pe]rsists, immediate pressure has [ea]sed and international finance [ha]s been more readily obtain[ab]le for South African [bo]rrowers. On the domestic [fr]ont the gradual recovery of [th]e economy has eased the [im]mediate economic pressure [on] fringe banks, reducing the [le]vel of business failures and [en]abling the major groups to [co]nsolidate their acquisition of [sp]ecialist banks made during [th]e prolonged economic re[ce]ssion which began in 1974.

The year has also seen the [fi]rst major step in a total over[h]aul of the Government's mone[ta]ry policy, designed to meet [th]e changed international and [do]mestic banking scene—the [cr]eation of a foreign exchange [m]arket and the managed float[in]g of the rand. The overhaul [b]eing considered by the com[m]ission of inquiry into the [m]onetary system, chaired by [D]r. Gerhard de Kock, senior [d]eputy Governor of the South [A]frican Reserve Bank, promises [a]nother major upheaval for the [b]anking sector in the future.

The expansion of South [A]frican banking, once domin[a]ted by the major commercial [b]anks, has been caused by the [ri]se of specialist banks, includ[in]g merchant banks, discount [h]ouses, hire purchase and leas[in]g specialists and so-called [g]eneral banks specialising [m]ainly in aspects of corporate [fi]nance. The share of deposits [h]eld by the commercial banks [f]ell from 58.7 per cent in 1950 [t]o under 40 per cent last year.

Since the beginning of the [l]ast recession, however, the [m]ajor commercial banks have [u]sed their financial muscle to [m]ove back into the specialist fields, both through diversification and more noticeably through the purchase of ailing specialist banks caught in the recession. Four commercial banks dominate the banking scene in South Africa, ranging from Barclays National at the top, with total assets of R3.7bn ($4.4bn), through Standard Bank, with assets of R2.9bn ($3.4bn), Volkskas on R2bn ($2.4bn) and Nedbank on R1.6bn ($1.9bn).

Around each of these a major banking group has now been built up, with wholly owned *subsidiaries specialising* in merchant banking, hire purchase and leasing. Thus Barclays controls Wesbank (general) and Barclays Merchant Bank; Standard has Stannic (HP and leasing), Standard Merchant, and Standard Corporate Finance (general), while the Nedbank group includes UAL (merchant), Nedfin (general), Syfrets (general) and Nefic (general). The other major group is the Bankorp group centred around the Trust Bank (general), Senbank (merchant) and Santambank (general).

Varies

Policy varies from group to group in terms of the degree of specialisation of the different banks. While most of Barclays' leasing and HP business is channelled through Wesbank, the parent bank has itself stepped up involvement, devoting some six per cent of its lending to that field. Standard, on the other hand, has the purest lending book, with 95 per cent tied up in overdrafts.

The diversification of banks has meant a growing number of controls, sometimes apparently unco-ordinated, being imposed by the Reserve Bank. They include credit ceilings, liquid asset and cash reserve requirements and prescribed investments in Government stock. The whole field of monetary policy, including Reserve Bank intervention in the open market, is under review by the de Kock Commission.

The Reserve Bank has used monetary policy as a restrictive weapon to keep down the rate of increase of money supply—and indeed has succeeded in keeping it at or below the rate of inflation for the past two years. In line with the Government's return to cautiously expansionary policies, however, it has reduced liquid asset requirements, increased credit ceilings, and twice cut the bank rate (by 0.5 per cent each time) since the start of 1979.

Indeed one of the early benefits of the de Kock proposals has been greater flexibility in interest rates as an economic tool. Whereas hitherto any reduction in South African rates below the prevailing international level has precipitated substantial switching of trade finance back to the domestic market, Dr de Kock's proposal discount on forward dollar cover, currently 2.5 per cent, has largely negated the difference.

While restrictive monetary policy has squeezed bank profits from above, a continuing increase in the cost of attracting depositors has squeezed them from below. The trend away from demand deposits towards savings accounts has accelerated significantly in recent years. Demand deposits declined as a proportion of total commercial bank deposits from 49 per cent in 1973 to 33 per cent in 1978.

The major banks, operating extended branch networks, have also been hit by rapidly escalating labour costs, accelerating the trend towards greater mechanisation and computerisation. The higher cost and lower rewards of commercial banking have also encouraged the major banks in their entry into more specialised fields.

Competition for consumer accounts has been somewhat *muted in recent years, however*, because of the generally high level of liquidity in the economy. Banks and building societies have been careful to vary their deposit rates in concert. But the recent introduction of transmission accounts by the building societies, offering nominal interest and yet allowing the flexibility of a demand checking account, could further squeeze that portion of commercial banks' business.

The creation of a foreign exchange market by the de Kock proposals has also tightened up a previously extremely lucrative area of bank business, by creating a competitive environment for foreign exchange dealings and dramatically narrowing the banks' spreads on major deals. While they are only the first step in a wider strategy of reform, the proposals are intended to neutralise the capital account constraint on domestic economic policy by forcing the exchange rate to take more of the brunt of movements in the reserves.

So far, however, the Reserve Bank has been extremely cautious in varying its rates, effectively controlling the market for Rands. The other important aspect of the proposals is the expansion of the securities rand to become a financial rand, and so hopefully extend the involvement of foreign investment in the economy from investment in securities to more productive investments.

As for the banks themselves, however, the Government is committed to a policy of reducing foreign ownership below 50 per cent by 1986, to which the banks have agreed. Standard is now down to 59 per cent, following the acquisition of UDC Bank (renamed Standard Corporate Finance) last year. Barclays National is still 64 per cent foreign-owned, and showing no immediate signs of reducing the level. Mr. Bob Aldworth, the managing director, has indicated his preference for accomplishing the expansion of South African ownership through a rights issue, but none is likely before 1980.

Quentin Peel
Johannesburg Correspondent

G. William Miller

PROFILE

IF EVER Mr. G. William Miller thought, as he might have done after a couple of months in office, that being chairman of the Federal Reserve Board (the U.S. central bank) was not quite as tough a job as it was cracked up to be, he has since been disabused of the notion. The education of the former head of the Textron Corporation in the politics and economics of Washington has been gruelling.

In more than a quarter of a century before Miller, the Fed only had two chairmen (William McChesney Martin and Arthur Burns). It is therefore very premature to form any definitive judgment on what sort of central banker the new head will turn out to be. His strong points are clear enough; he works hard, has assimilated a mass of unfamiliar material quickly, gets on well with Congress and has not hesitated on occasion to assert the Fed's independence from the Administration.

His critics charge that he still does not know enough about the intricacies of monetary policy—a crucial defect, they say, at a time of great changes in the way in which credit is created—that he sometimes misreads economic signals and that he has yet to assert himself inside the Fed as a strong chairman should.

The last point is rather unfair since the Fed itself is in the process of undergoing considerable hierarchical change, with a new chairman and three other vacancies on the seven-member Board occurring in little over a year. It is true that Miller has not always carried the Board with him, but he contends that over the year the Fed has been consistent in its gradual tightening of the money supply and has in no sense sacrificed its role as a leader in the battle against inflation.

Initially, Miller concentrated primarily on the twin domestic problems of inflation and banking regulation affecting the Fed. Pressure of events quickly embroiled him in the international scene, perhaps before he was quite ready to assume leadership. But to the extent that last November's dollar defence package, evolved jointly with the Administration, has worked, then the chairman may properly claim a share of the credit. There is still not a clear-cut Miller philosophy on the external front, though it is obvious that he is attracted by—and is in part spearheading—the initiative to place controls on the Eurodollar markets.

S.F.

UNITED STATES

Profits thrusting ahead

THE U.S. banking industry reported record profits last year, with major banks increasing their earnings by 25 to 30 per cent.

Thus, three years after the crisis which hit the banking sector in 1975, particularly in relation to its real estate lending, even the worst-hit banks have seen their earnings in money terms surpass the 1974 peak.

Chase Manhattan Bank, for example, earned $182m in that year. Last year its net profit rose to $197m.

Bankers' Trust of New York earned $71.4m in 1974 and in 1978 its earnings hit $82.5m.

New York banks have recovered more slowly than many of their regional competitors, loan demand has generally been *softer in New York than,* say, in the sun belt and California — and the New York banks are not big participants in the booming housing market in the way that their *Californian rivals are.*

Thus, while many of the New York banks have been relying on steady reductions in their loan loss provisions, continued expansion of foreign earnings, albeit at narrower lending margins, and with sharp increases in foreign exchange and non-interest earnings for their higher profits, regional banks have been less dependent on these sources.

Many were also less severely *hit by the 1974 crises.* Consequently, their earnings have shown greater buoyancy, particularly for those institutions which have been unable to increase their commitment to the consumer lending sector. Bankamerica of California, the largest U.S. bank, last year reported earnings of $514m up from $257m in 1974.

Early indications are that the *banking sector as a whole has* the momentum to keep profits moving ahead strongly in 1979. First quarter profits for the first 100 banks to report rose by 27 per cent, according to New York *brokers, M. A. Schapiro and* Company.

Loan demand across the country has remained strong, while the cost of funds for the banks has not risen so sharply as to seriously squeeze lending margins. But many analysts are anticipating that this rate of earnings increase cannot be sustained through yet another year, particularly if the economy *slows (as many expect)* and consumer spending begins to drag.

The question then will be — how badly will the banks be hit by a recession? The optimists *maintain that loan losses on con*sumer business have always been both slight and predictable and that even a serious economic slowdown will not bring a repeat of the crises that hit the *banks in the last recession.*

The pessimists worry about the heavy commitments many banks have made to the housing industry and the risks inherent in a commitment to a sector of *the economy which has been* experiencing an unheatlhy inflationary boom.

But it is not just the profits picture which has been changed in the past three years in the *banking industry.*

The banks themselves have been preparing new strategies to meet the mounting competition in the U.S. market from rivals such as foreign banks and the commercial paper market in their industrial lending and finance houses, credit unions, retail stores and thrift institutions in the consumer sector.

In the face of heavy commitments abroad, many of the banks have begun to place greater emphasis on their domestic U.S. operations, which, in the case of the New York banks in particular, have not been particularly profitable, in many instances.

In looking at their domestic operations, bankers have increasingly contrasted the strict regulation which they have been subjected to with the relative freedom of some of their rivals, credit unions and retail stores, credit card operations, in particular.

Chief among the controls which irk the big banks are the limitations on interstate banking, at least in so far as U.S. laws prohibit them to open deposit-taking branches across state lines.

Pressure is building for reform of these regulations although the strength of the *opposition* to such reform among the 14,000 regional banks around the country has yet to be tested.

But an indication of the determination which the banks intend to bring to bear to these issues is the extent to which many are already moving to sidestep what they see as unfair regulations by aggressively marketing across the country services which do not suffer geographical restraints.

Citicorp has led the way through the national promotion of its credit card but several major banks are aggressively pursuing the consumer lending market through credit cards, finance house subsidiaries and other vehicles.

Another indication of the aggression which the banks are bringing to bear in their domestic business was the speed with which banks grasped the opportunity to, in effect, pay interest on demand deposits in November last year by introducing automatic transfer accounts.

The banks also vigorously fought for their share of the deposit market by promoting the six-month savings certificate which the Federal Reserve authorised the banks to issue.

An indication of the competitive pressure building up in the deposit-taking segment of the financial sector was the determination of savings and loan associations to fight the Fed over the automatic transfer issue. The thrift institutions saw the banks' ability to begin paying interest on demand deposits as a major challenge and the courts have upheld that view.

The battle here has been joined and it promises to be hard fought when the issue comes before the Congress in the shape of legislation to permit interest payments on demand deposits. For one thing, the inflationary environment makes this, and other interest rate ceilings enshrined in regulations, an area where reforms will have potentially far-reaching economic implications.

The same can be said of changes in reserve requirements which the Fed has been pressing for in order to help solve the problem of declining membership of the Federal Reserve System.

Proposals for mandatory reserve requirements, supported by the Fed, were defeated earlier this year in the House of Representatives Banking Committee, but the issue is unlikely to die, especially since some major international banks can see a way in which reform could help them carry out more international business in the U.S., particularly in New York.

Partly because of inflation and because of the changes in financial markets, which adjustments to inflation stimulate, the banking industry appears to be entering a period of transition domestically, both in terms of its regulation and in terms of its ability to compete with rivals in the financial sector.

Stewart Fleming

Serge Bellanger

PROFILE

IT WOULD be easy, but wrong, *to assume that with the passage* of the International Banking Act which President Carter signed in September last, foreign bankers in the U.S. could take a rest from lobbying and get back to improving their banks' earnings. As Mr. Serge Bellanger, senior vice-president and general manager of the New York branch of Credit Industriel et Commercial (CIC) points out, while the Act, which lays down the framework for foreign bank regulation in the U.S. has been signed, the all-important regulations implementing the law have not yet been established.

Mr. Bellanger is one man who can confidently assume that he will be intimately involved in the formulation of those regulations as he was in the lobbying which went on during the debates in Washington over the Act last year.

Then, as chairman of the regulation and legislative committee of the Institute of Foreign Bankers in the U.S., Mr. Bellanger played a prominent role in the formulation of the foreign banks policy on the new law. Earlier this year he succeeded Mr. Louis Moral of Barclays Bank in New York as the chairman of the Institute.

Mr. Bellanger started his career with CIC, the largest private French commercial bank with assets of some $16bn, in 1964. Subsequently he worked for Citibank in Paris and in New York for eight years.

Of his period in Europe he says that he developed an understanding of the attitudes of domestic banks faced, as they were, with mounting foreign competition in their home markets. He sees a lot of similarities between that period in Europe and the current situation in the U.S., where it is the European banks which are the foreign invaders.

He concedes that the foreign banks in the U.S. had regulator advantages over domestic banks before the passage of the International Banking Act but argues that the foreign banks did not come to New York to exploit legal loopholes. He argues if there is one major area of banking business where the foreign banks have had an edge over their U.S. rivals it is in export and import finance.

There are, he says, a range of detailed issues which have yet to be sorted out as a result of the passage of the act, including, for example, the application of reserve requirements to foreign banks by the *Federal Reserve.* This of course is an important issue since the absence of reserve requirements at the Fed for most foreign banks gave them a financial edge in the market place.

As to the outlook for foreign banking in the U.S., he admits to being concerned about the uproar over the Hongkong and Shanghai bank's bid for control of Marine Midland which is being threatened by the New York State Banking Superintendent, Miss Muriel Siebert. Other foreign bankers in New York share his concern, worrying that there are now signs of a hardening of attitudes against takeovers of New York banks by foreign banks

S.F.

David Rockefeller

PROFILE

NEXT MONTH Mr. David Rockefeller notches up 10 years as chairman of the Chase Manhattan Bank—and with something to celebrate. After *years of running a poor second* to its go-getting rival, Citicorp, his bank is beginning to put on some speed, adding to the personal prestige Mr. Rockefeller already enjoys as one of *America's best-known business* names.

But his tenure as chairman will soon be coming to an end.

In just over a year he reaches the bank's retiring age of 65, *after which, he says, he hopes* to devote more time to family and other interests, though he does not expect to sever his links with the bank completely. "It hasn't been worked out in detail," he says. "We have a nominating committee on the Board which is studying the question."

Mr. Rockefeller joined what was then the Chase National Bank's foreign department in 1946, and his interests have *always been strongest in inter*national affairs. Today he singles out the growth of the Euromarkets as one of the major world banking events during his chairmanship, for the way it produced funds for the industrialised world and recycled petrodollars after the four-fold increase in oil prices in 1973.

"Some people have criticised that and said it was a threat to the commercial banking system. My own judgment is that it was *extremely well done, that it* saved a much more severe crisis than we would have otherwise had, and that the large banks have exercised restraint and have not made foolish loans to *developing nations.*"

Mr. Rockefeller denies that the much published problem of Third World lending is as serious as many believe. "The *percentage of loans to the* poorest nations by the commercial banking system has been very small, I could even say minute, probably only half a per cent of the total."

The problems of *Zaire* could be solved, he believes, provided ways are *found to export its* copper. Turkey's attempts to stretch out its short-term debts could also be met in the context of a total aid package including the IMF and the OECD nations.

On another topical issue, Mr. Rockefeller says it would be "unfortunate" *if* the authorities acted to regulate the Euromarkets because it would constrain one of the world's few remaining free markets—one which has played an effective role in the economic development *of Europe, he says.*

"I think countries have the means of dealing with the problem if it really gets out of hand, either by controlling or limiting specific deals or by sterilising *funds if they come in excessive* amounts. But I don't honestly see that these are abuses or problems of a magnitude which would justify it."

Within the U.S. itself Mr. *Rockefeller's chief concern is* with the sharp growth of competition from a host of new entrants into the commercial banking field — the foreign banks, the savings institutions, insurance companies, investment banks, credit unions and *even department stores.*

On the other hand, he concedes, things are getting better for the commercial banks in other ways. The 1969 Bank Holding Act let them do more business across State lines, and the range of their activities has broadened. The prospects for further deregulation, including interest rate ceilings are also good, he believes.

"I see the continuing expansion of larger banks into many fields including such things as *financing, leasing and factoring,* loans to medium and large-sized business, and credit cards."

In common with the rest of the New York banking community Mr. Rockefeller strongly *favours the establishment of* the so-called domestic international banking facilities as a basis for offshore banking in the U.S. One of the most common objections to the plan — supervision — *should not be a problem, he* says. "In fact they'd be able to watch the banks better in New York than in the Cayman Island or Nassau."

David Lascelles

ISRAEL

Fresh vistas abroad

ISRAEL'S BANKING system last year maintained the rapid rate of growth which has characterised it in the past, and continued the process of adapting to and utilising the opportunities resulting from the 1977 foreign exchange liberalisation.

Restrictions on operations in foreign currencies were largely abolished by the Likud Government at end-October 1977. This permitted Israeli residents to open foreign currency accounts of various kinds (current and time deposits) with Israeli banks, and to receive foreign currency loans. The Israeli pound was floated, with the rate determined by demand and supply. Intervention by the Bank of Israel, the central bank, in 1978 was minimal.

The total of foreign currency accounts opened since then (mainly in U.S. dollars, but also in European currencies) exceeded $2bn by the end of 1978. This shift into foreign currency has been triggered by the country's high rate of inflation, which resulted in a rapid fall in the value of the local currency and expectations of devaluation, and by the high interest on foreign currency deposits. Israeli companies at the same time received foreign currency loans from the commercial banks to a total of $1.85bn.

From the viewpoint of the banking system, the liberalisation resulted in an extremely rapid increase in its foreign exchange activities, facing it with the challenge of providing at very short notice the expertise and sophistication required to supply its Israeli customers with entirely new services, the banks met this challenge successfully.

Their involvement is reflected by the fact that their assets and liabilities in foreign currency *increased in 1978 by 40* per cent (in terms of U.S. dollars). A very substantial proportion of the increase was due to the opening of relatively small, but numerous foreign currency deposits, the total number of such deposits having grown in 1978 by 44 per cent.

Until October 1977 Israeli residents were permitted to hold foreign currency in the banks, but except for a proportion of German restitution payments, only for conversion into Israeli pounds at a later date.

The Israeli consumer price index rose by 53 per cent last year. The high rate of inflation, which has bedevilled the Israeli economy since 1974, has resulted in a constant shift of regular Israeli pound accounts to index-linked assets and liabilities. The index-linked savings account of the banks, as well as the Government index-linked bonds marketed through the banking system, proved a highly attractive investment. The banks themselves are required to invest most of the savings received in bonds or in deposits with the Government.

The banks have thus been the main *factor* in encouraging the public to invest in index-linked deposits which provide protection against rapid inflation. The banks in turn have therefore become a major channel of finance for the Government, which has assumed a very heavy burden of index-linked obligations.

Taking into account the rate of inflation and the possibility of linkage, it is not surprising that the proportion of non-linked Israeli pound assets and liabilities is falling from year to year, to a new low of about 10 *per cent* in the banks' balance sheets at December 31

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UNITED KINGDOM

Growing range of services

...PITE NUMEROUS Labour ... proposals over the years ...tionalise the major British ...s, UK banking remains ...y in the private system. ...structure is dominated by ..."Big Four" London clear... banks—Barclays, Lloyds, ...and and National West...ter — all of which are ...d companies with total ...holders in excess of ...00. The London clearing ... picture is completed by ...ams and Glyns, one of the ...legs of National and Com...ial Banking Group, and the Coutts Bank, which is ...y owned by National West...er.

...ere are in addition three ...ish clearing banks—Bank ...otland, the second leg of ...nal and Commercial, Royal ... of Scotland and the ...sdale Bank. The London ...cottish clearers are closely ...d through shareholdings: ...ays holds a 35 per cent ... in Bank of Scotland; ...s owns 16 per cent of ...nal and Commercial, while ...nd owns the Clydesdale.

...er the years the clearers ... expanded and diversified ... the basic deposit banking ...ion—though this remains ...staple of their existence. ... they are much closer to Continental "universal" banks and aim to provide a comprehensive range of domestic and international financial services within a single group of companies.

One example of the trend which has helped to blur traditional demarcation lines in British banking has been the clearers' growing involvement in medium-term lending, a process that can be traced back to the early seventies. At the same time the clearers' merchant banking services have developed to include corporate finance, new issues, investment management, acceptance credits and indeed all the services traditionally associated with the accepting houses.

The British banks generally draw a line, however, at taking equity stakes in industrial companies. The only exceptions to this are occasional investments in small companies (Midland), and stakes in medium-sized companies held by the merchant banking subsidiaries.

Competitive

One of the most competitive developments in the UK financial system in recent years has been the increase in both the numbers and market share of the foreign banks in London. There are now more than 340 foreign banks directly represented in the City, more than five times as many as there were 20 years ago, and there are another 90 represented indirectly through participation in consortium banks. While the foreign banks are in London mainly to engage in international banking they have had a considerable impact on the domestic scene. Competition is especially strong in the provision of finance for the UK subsidiaries of overseas multinationals, where the American banks are particularly active.

But it is not so much the foreign competition that is causing British clearing bankers most concern at the present time. They are increasingly occupied with the competition they are meeting in the High Street from the building societies. In 1963 the banks (mainly the clearers) had 46 per cent of the personal deposit market, and the building societies were only just ahead of the savings banks with 29 per cent. By 1972 the building societies had moved ahead of the banks, with 44 per cent—having gained mostly from the savings banks.

In the four years to the end of 1978 the banks lost deposits rapidly to the building societies, with their share of personal deposits dropping from 45 to 35 per cent and that of the societies rising from 42 to 53 per cent. The savings banks, on the other hand, declined at a slower pace, with the revitalised Trustee Savings Banks holding 7½ per cent of the market, compared with the National Savings Banks (the old Post Office Savings Bank) with 4½ per cent.

Artificial

The clearers have frequently protested that the building societies and savings banks are endowed with artificial competitive advantages. Examples generally cited include the fiscal advantages enjoyed by the building societies, savings banks and national savings on interest on savings, the allegedly "totally inadequate" capital base on which the Post Office Giro is being allowed to expand its range of banking services, and the unequal application of monetary, credit and supervisory controls.

Ideally, the clearers would like to see all these institutions subjected to the same disciplines as they themselves face from the Bank of England, the Government agency that is the banking supervisory authority. This desire should be met as far as the Trustee Savings Banks are concerned, within the next few years. The TSB's were reformed to make a "third force" in British banking following the Page Report on national savings in 1973. They are now gradually moving out of the public sector into the mutual sector of non-profit making institutions. They will lose the advantage of tax exemption on interest in November this year.

Michael Lafferty

Mr. Gordon Richardson

Sir Jeremy Morse

Gordon Richardson

PROFILE

WHEN Mr. Gordon Richardson succeeded Sir Leslie O'Brien as Governor of the Bank of England in 1973 there were, by all accounts, some senior officials who found the new boss a little difficult to get used to. A colleague describes him as a perfectionist, a man who never rushes into a decision, and a man who gets things done on the basis of the people he knows rather than through formal structures.

Over the past six years Richardson has got a lot of things done—in the process considerably widening the area the Bank is concerned with. He has overseen the gradual development of a more formal supervision system for banks in the City, he has nursed uncertain and often sensitive City institutions to regulate more openly through the Council for the Securities Industry, but most of all perhaps he has re-established the Bank's contacts with industry.

The first move on the industrial side came from a Richardson initiative to use the Bank's regional offices to find out what was happening to company finances during the three-day week. The work subsequently developed through the creation of a small industrial division within the Bank under the leadership of Sir Henry Benson, the distinguished chartered accountant.

In his relations with Government Gordon Richardson has studiously avoided public controversy, unlike some of his predecessors. He was appointed by a Tory Government, and re-appointed by Labour with whose Chancellor, Dennis Healey, he is said to have established an excellent working relationship. Richardson is credited along with Lord Kaldor with the initial proposal to introduce stock relief to relieve severe pressures on company liquidity in 1974 and he was one of the first advocates of monetary policy and targetry for the public sector.

Since he took office Richardson has not been spared crises. Within a few months of taking office he found himself facing the consequences of the Yom Kippur war and the Middle East oil price rise, followed shortly afterwards by sterling and dollar crises. Then there was the secondary banking collapse, and further sterling problems. It is a measure of how much Mr. Gordon Richardson has contributed in seeking to solve these difficulties that the Bank of England is seen by many today as having greater influence than at any time since the 1920s.

Gordon Richardson is a company law barrister by training. He joined ICFC in 1955, and entered merchant banking as a Schroders director in 1957. From 1962 to 1972 he was chairman of J. Henry Schroder Wagg.

M.L.

Sir Jeremy Morse

PROFILE

SIR JEREMY MORSE, chairman of Lloyds Bank, is the sort of man who attracts extravagant praise. "Widely regarded as the best brain the Bank of England has recruited since the war," "the next Governor of the Bank of England," and "a clearing banker who knows what he's talking about" are typical of the comments heard about him.

Sir Jeremy became chairman of Lloyds Bank, one of the Big Four British clearing banks, in 1977 having joined the bank as a deputy chairman in 1975. In September 1972 he was chosen to be chairman of the deputies of the committee on reform of the international monetary system and related issues (the so-called committee of twenty) of the International Monetary Fund, a position which he held for two years until the committee was disbanded in September 1974.

Sir Jeremy is a Londoner and was educated at Winchester and New College, Oxford. On leaving Oxford in 1953 he joined *the old Glyn, Mills (now part* of William's and Glyn's), where he trained as a banker and became a director in 1964. The same year he moved to the Bank of England, where he became executive director of the home side for 18 months to mid 1966. From then until September 1972 he was executive director in charge of overseas affairs at the Bank.

Those who know British clearing bankers say Sir Jeremy Morse is different. Perhaps the point is made by this simple incident at Lloyds' press conference on its 1978 results. As Sir Jeremy listened to yet another piece of advice from senior executives to the effect: "We don't normally give that information, chairman," he was heard to ask in a loud voice: "Why not?"

M.L.

Israel

CONTINUED FROM PREVIOUS PAGE

last. Ninety per cent were accounted for by foreign exchange or index-linked liabilities.

The nominal growth in the overall balance sheets of the banks was 68 per cent — or net of inflationary growth, about 25 per cent (taking into account also the real value of the dollar. *another significant indicator of* banking activities is the growth in the number of accounts, which came to 12 per cent in 1978).

The rapid inflation, combined with a five per cent growth in real terms in the Gross National Product (following three years of virtual stagnation), created greater demand for Israeli pound credit. The fact that the interest rate has been lower than the rate of inflation undoubtedly also contributed to the rise in demand for credit.

The overall increase in unlinked bank credit extended in 1978 reached 55 per cent. This increase, combined with the shift away from unlinked deposits, increased the deficit in liquid assets which the banks have to deposit with the central bank, a deficit on which heavy non-tax deductible fines are imposed. These fines reached 80 per cent at times, significantly cutting into the profits of the banks.

Because of liquidity created by the Government budgetary deficit and in view of bank credit expansion in response to customer demand, the Bank of Israel raised the rate of fines even higher in October, 1978, which in turn led to a rapid growth in foreign currency credits. Fearing a shortage of credit in Israeli pounds, local companies took loans to the *tune of several hundred million* dollars. The Bank of Israel reacted by imposing restraints at the end of December, and following a transition period imposed fines on foreign currency credits so as to raise the cost of such loans to Israeli borrowers to 25 per cent in dollar terms, some 12 per cent higher than the rates for loans in Eurodollar markets.

The demand for foreign currency credits also increased less than 24 per cent against the U.S. dollar, while the consumer price index rose by 55 per cent in 1978. It may be assumed that the higher cost, together with growing expectations of a faster appreciation of the dollar vis-a-vis the Israeli pound, will restrain demand for foreign currency loans.

The commercial banks are the major factor on the Israeli Stock Exchange, with 90 per cent of all transactions carried out by the banks. They also underwrite almost all new issues. The high rate of inflation could not fail to leave its mark on the pattern of last year's trading. Index-linked bonds were highly popular. Nevertheles, the yields of banking shares were higher than the rise in the consumer price index.

However, with the rate of inflation accelerating towards the end of 1978 and in early 1979, and expectations that this trend will continue, the attraction of index-linked bonds is predominant. Thus despite the sharp increase in corporate net profits in 1978 and the relatively low multiple of some shares, it is doubtful whether industrial equities will be able to compete easily with linked Government bonds, where the risks are low.

The combined net profit of Israel's three major banking groups grew by 55 per cent last year. Taking into account the growth in their capital, the net after-tax return on equity was 27.7 per cent of own capital, very similar to the 1977 rate of 27.4 per cent. Profits were adversely affected in 1978 by the rapid rise in wages and *other operating expenses which* increased by 73 per cent.

Taxes are levied on the basis of nominal profits and do not take into account the eroding effects of inflation on capital, which has resulted in relatively low net real profits. According to Bank of Israel calculations, taxation exceeded 100 per cent of the net profit in real terms, a fact which underlines the need to protect the real value of capital.

But the Government has so far refused to adjust tax brackets to the rate of inflation and has even increased the rate of VAT on the bank's payments and earnings.

The conclusion of the peace agreement between Egypt and Israel opens up new vistas and opportunities for the Israeli banking system. Yet in the short term the commercial banks will be faced with a continued high rate of inflation, which may climb still further. The foreign exchange liberalisation is likely to continue, as will the strong demand for credit in Israeli pounds, following the increase in the cost of foreign currency credits.

The signing of the peace treaty is likely to reinforce confidence abroad in the Israeli economy. This will help to attract additional deposits from foreign residents to Israeli banks. The banking community hopes that once the framework of peace is strengthened Israel may gradually become a secondary financial centre, which will attract a growing volume of off-shore deposits and provide financing to regional and international markets. New opportunities might open for multinational corporations to invest in Israel.

Israeli banks are also studying the possibilities of ties with financial groups in Egypt. The timing will clearly depend on the speed with which economic links are forged between Egypt and Israel, as well as on the attitude of the Egyptian authorities.

David Kochav

ARAB WORLD I

OPEC surpluses set to rise

THE PAST six months has seen a dramatic change in the oil producers' fortunes. A year ago even those most vociferously demanding a big price increase and in need of extra finance to compensate for the decline in their purchasing power were reconciled to the fact that, because of slack market conditions, they could not look forward to an increment in real terms until 1980 or so. The Iranian crisis changed all that. The result will be a reversal of the trend since the price explosion in the last quarter of 1973 of a diminishing collective surplus that last year was reduced to negligible proportions.

From a peak of some $57bn in 1974 the current account surplus of members of the Organisation of Petroleum Exporting Countries (OPEC) levelled off something like $35bn in each of the following three years. Last year it dropped dramatically to something like $10bn or even less three quarters of which would have been accounted for by Saudi Arabia. The estimate is a "gross" one—not taking into account the deficit that perhaps the majority of the world's leading exporters experienced or aid disbursements. Even on that basis the Bank of England has calculated that the OPEC club as a whole was in deficit in the second quarter of last year when even the Kingdom found it spending all its current revenues. In the same period the Bank of International Settlements reported borrowings of $2bn and withdrawals of $3.3bn.

For OPEC as a whole, after making allowance for the debts incurred by some members, 1978 may have been a year of net deficit. The modest surpluses on current account enjoyed by five Gulf producers would actually have been exceeded by the investment income from previously accumulated assets.

In 1978 investment income from previously accumulated reserves may actually have exceeded the fiscal surplus. The accompanying table compiled by Dr. Odeh Aburdene, an economist and banker, who was until recently on secondment to the Arab Monetary Fund, gives perhaps the most reliable and up-to-date account of the funds held by the seven Middle East members of OPEC whose assets exceed liabilities. Excluded from the list is Algeria which is one of the heaviest borrowers in the Euromarkets. Of the seven only Saudi Arabia, Kuwait and the United Arab Emirates—or more specifically Abu Dhabi—could be considered States that will be endemically in surplus.

Projected

On the basis of the 14.5 per cent increase in quarterly progressions originally set by OPEC for 1979—giving an average of 10 per cent for the full year—Morgan Guaranty Trust's *World Financial Markets* projected a surplus of $10bn after assuming a growth in imports of 4.5 per cent in real terms and an average rise in prices for them of 10 per cent. That forecast has been turned upside down by the bringing forward of the increment set for the fourth quarter to the second and the imposition of premiums which mean that average per barrel revenues are now up 25-30 per cent on the 1978 level.

At an estimated $6bn Saudi Arabia's investment income would have exceeded the seven States' total oil revenue in 1972. Over the past three years the monthly statistics recorded by the International Monetary Fund (IMF) that show members' gold and foreign exchange reserves revealed a declining proportion of the Kingdom's foreign assets, even though the bulk of them would qualify as liquidity.

In April last year the published figure fell from $28.72bn to $21.07bn as foreign exchange cover for the note issue was deducted from the total. At the same time, however, the IMF reported that net foreign assets held by the Saudi Arabian Monetary Agency amounted to 213bn Saudi riyals, or the equivalent of $64bn at the time.

FOREIGN ASSETS
$m

	End of 1972	End of 1977	End of 1978
Kuwait	2,418	22,000	26,000
Qatar	414	2,582	3,000
Saudi Arabia	2,303	66,000	75,000
UAE	300	7,570	10,000
Iraq	720	6,996	8,500
Iran	884	12,266	11,951
Libya	2,694	4,891	4,200
Total	9,733	122,285	138,651

INVESTMENT INCOME
$m

	1972	1973	1974	1975	1976	1977	1978
Kuwait	410	559	767	1,361	1,821	2,111	2,700
Qatar	28	24.8	75.5	128	138	157.8	200
Sdi. Arabia	125	221.7	1,305.7	1,961.8	3,226.6	4,447	6,000
UAE	20	49.6	143.8	268	470	731	1,000
Iraq	28.4	65.7	275	191	146	288	1,200
Iran	18	54	424	745	734	739	
Libya	152	123.7	312	228	202	266.8	
Total	781.4	1,098.5	3,303	4,882.8	6,787.6	8,740.6	11,100.0

Source: Arab Monetary Fund.

SAMA's latest annual report estimated that the Kingdom's balance of payments surplus in fiscal 1977-78 (ending last June) was $13bn compared with $15bn in the previous year. The greater part of this would have been accounted for by the July-December period of 1977 when Saudi Arabia (together with the UAE) aligned its oil price with that of other OPEC producers at a level ten per cent above the one of 1976.

By early summer of last year, it seems, the Kingdom was moving into some kind of payments equilibrium and was probably in deficit in the second half of the calendar year. Feling a corresponding fiscal squeeze the Government's reaction was one of draconian restraints on spending. It announced withdrawals from reserves (not necessarily from its foreign assets) the equivalent of nearly $1bn last September and just over $2bn in February.

Saudi Arabia's sensitivity about the size of its reserves is understandable. If only to justify a level of production in the past above what it requires for fiscal purposes it has maintained that in the long-term all revenues can be absorbed. In practice, a large proportion of them have been set aside for special purposes.

Committed

Speaking recently to *Euromoney* Mr. Abdel-Aziz Quraishi, Governor of SAMA, emphasised, "A substantial part of the foreign assets held by SAMA, whether in the form of deposits or investments, is committed to the currency cover, letters of credit already opened by the Government, the Pension Fund, the Social Security Organisation and a number of other autonomous bodies. Hence all of SAMA foreign assets are not free reserves which the Government may use to make further commitments."

In large measure Saudi Arabia's concern for the health of the U.S. currency stems from the fact that the bulk of its total accumulated reserves—probably about 80 per cent—is held in dollar instruments. However, Mr. Mohammed Aba al Khail, Minister of Finance, said that only 44-45 per cent was actually invested in the U.S. itself, adding, "but it changes from time to time." The last available breakdown, for the end of 1976, showed 50 per cent of the total to be in bonds, 45 per cent in bank deposits and the remainder in currency.

In the same *Euromoney* interview Mr. Quraishi admitted that SAMA still preferred investments at the shorter end of the range of maturities. "Since our fundamental commitment is to the accelerated development of our country and, since the absorptive capacity of our economy has been increasing rapidly, we will need an increasing amount of resources for investment within the country. Hence we do not wish to commit our foreign exchange reserves to very long-term periods." For several years now SAMA has been making some direct placements, normally with triple-A corporations, but has responded to approaches from other companies of lower ranking.

Even with an output ceiling of 8.5m barrels a day reimposed on its main fields (compared with a rate of 9.5m b/d maintained during the first quarter) and the Kingdom for the time being sticking to the basic 14.5 per cent OPEC price rise originally set for the whole of the year Saudi Arabia should suffer no liquidity or payments problems in 1979. Revenues should surge well beyond $50bn adding to the country's foreign assets—however these are defined. Meanwhile, the odds are that at the next OPEC meeting it will do something to reduce the differential and that of other producers.

Strategy

In contrast to Saudi Arabia, Kuwait has for more than two decades sought to build up a substantial reserve as an alternative source of income and has developed a sophisticated development strategy. Its rentier policy took on a new coherence in 1976 when it established the Reserve Fund for Future Generations into which 10 per cent of annual revenue must be channelled by law. Fifty per cent of the assets of the existing State General Reserve were channelled into it including the best long-term investments. It was decreed that neither capital nor income should be used for expenditure for 25 years.

Last summer Dr. Abdul-Rahman al Atiqi, Kuwaiti Minister of Finance, revealed that the total accumulated surplus assets in the SGR and the RFFG amounted to 7.47bn Kuwaiti dinars (then the equivalent of $27.4bn). The figure would have included local investments of KD 1-2bn but not the cover for the note issue or cash accounts in foreign exchange awaiting disbursements. These would appear to be excluded from Dr. Aburdene's calculations. The greater part of Kuwait's surplus last year would have been from investment income. The present year should see the current surplus exceed the proceeds from existing investment.

Over the past year there has been no discernible change in Kuwait's investment policy. Only last November it was revealed that as early as 1975 it acquired 30 per cent of the West German Khorf Steel group. Since 1974 when it bought St. Martin's Property Company it has eschewed large public purchases. Statutory disclosure showed in 1976 the extent of the shares—of 5 per cent—in British companies. Foreign equities and real estate through such investments, including those in the Arab world, must constitute less than one-tenth of total assets.

Responsive

The Kuwait Ministry of Finance which controls its shorter-term funds has shown itself responsive to currency fluctuations and may have been responsible for the net withdrawal from the U.S. by Middle East members of OPEC of $2.6bn reported by the American Treasury.

The UAE presents a more confusing picture than ever. Abu Dhabi's oil production was down by 12 per cent and the State continued to bear the burden of the Federal Budget almost in its entirety. While Dubai refused to recycle its revenue through the Currency Board, Abu Dhabi deposited nothing with the result that gold and foreign exchange reserves were drawn down from $1.9bn to $656m. Nevertheless it appears that it was still possible to transfer something in the region of $1bn to the Abu Dhabi Investment Authority.

The assets at its disposal would now be something in the region of $8bn. Dubai's foreign assets at $2bn are more or less equal its debts. Meanwhile, with the state of the union in confusion, the liabilities of Sharjah (amounting to about $1bn) and Ras at Khaimah continue to cause concern to bankers. This year, however, Abu Dhabi should have a substantial surplus of $3bn or so for investment.

It is questionable whether Qatar can be described as a surplus oil State at all. The smallest producer among the Middle East producers of OPEC, it had excess revenue of nearly $2bn by the end of 1976. In the two following years, with revenue and expenditure almost in balance, there was little to place in at the disposal of the Qatar Investment Board. The funds at its disposal have tended to be regarded as a reserve to cover against possible fiscal deficit.

In 1977 the Government borrowed $350m to finance its industrial ventures that have proved something of a burden. Despite the revenue gains achieved this year the leadership is currently agonising over whether to go ahead with the development of the gas field off the State's north-west coast at a roughly estimated cost of $4bn—compared with total income of $2.5bn last year.

Iran's position remains obscure. The last figure recorded by the IMF for its reserves was for the end of October, before the revolution began to sweep all before it and oil exports dried up completely for three months, when they were at $11.9bn. The loss of oil revenue was largely offset by a halt to payments and imports. Earlier this month Mr. Mohammed Ali Mowlavi, Governor of the Central Bank, said that they amounted to $10.4bn—roughly the same level as a year ago. However, the country's debts have been estimated at as much as $5bn.

Even under the Shah Iran never pretended to be a surplus State. Its population and development requirements are such that, even with the axing of his grandoise projects and slashing of military spending the situation would remain the same under any leadership.

That is true also of Iraq. For various reasons its petroleum resources have remained underdeveloped and it is believed to have the potential to be second only to Saudi Arabia in export capacity, even bearing in mind the uncertain promise of Mexico. Similarly, it should be able to absorb all its revenues in the long-term. Iraq's officially published reserves may not represent the full amount of its assets, but in practice the IMF statistics probably cover the greater part of them. The last figure recorded was for the end of 1977, when they stood at $6.99bn compared with $4.60bn a year previously. Its reserves are now believed to amount to $8bn.

Secrecy

Libya's international liquidity as recorded by the IMF fell from $4.89bn at the end of 1976 to $4.21bn at the end of last year. Probably published reserves account for the major proportion of foreign assets. Tripoli's policy is enveloped in almost as much secrecy as that of Baghdad. However, the activity of the Libyan Arab Foreign Bank in the syndicated loan business indicates longer-term savings in addition to its recorded reserves, though its acquisition of a stake in Fiat towards the end of 1976 was dictated by political considerations and the desire to gain access to technology. The Libyan regime has always insisted that it is not a surplus oil State, despite its small indigenous population.

Richard Johns
Middle East Editor

ARAB WORLD 2

Record borrowings

BIGGEST net borrowers ...ig the latter part of 1978 ... the international capital ...ets were the oil exporting ...tries: during the third ...ter of 1978 they raised ...n of new loans (or $4.4bn ...f an increase in deposits).

...is big net borrowing con...ed an established trend. ...ng the OAPEC members ...anisation of Arab Oil ...rting Countries), the ...st borrower for the year ...whole was Algeria, with a ...e of loans and bonds ...unting to $3.2bn. The ...ed Arab Emirates borrowed ...n 1978 ($726m) than it did ...977 ($1.08bn).

...other important feature of ... banking was the enhanced ... of Arab consortium banks ...nding deals. While German ... Japanese banks were felt ...any observers to have been ...prime factor in the sharp ...ne in lending margins, ... consortium banks were not ...ehind: indeed in lending to ...EC borrowers, such banks ...ed very competitive. In ...own way they were con...ting to the recycling of oil ...us funds and their success ...rlined the simple truth that ...ern expertise is no longer ...ed on the scale it was a few ...s ago, at least in this sector.

...velopment

...third development is the ...y growth of the only sector ...ie bond market which is ...minated in an Arab ...ncy, the Kuwaiti dinar ...et.

...e two latter developments ... to the growing sophistica... of the Arab world and its ...ressive inclusion in the ...d's capital markets which ... thus becoming more ...lly based.

...ditionally Arab consortium ...s such as Union des ...ues Arabes et Francaises ...AF) and Banque Arabe ...nationale d'Investissements ... played an active role in ...yndicated loan market, not ... in the Middle East. The ... of such banks, not ... UBAF is getting truly ...l-wide as demonstrated by ...ecent mandate to that bank ...arrange a $500m loan for ... This is one of the first ...raising operations by the ...ry on the international ...cial markets and the second ...st to date.

...st year Middle East-based ... consortia such as Gulf In...tional and Kuwait Inter...nal Investment Company, ...to mention Abu Dhabi In...ment Company, flexed their ...les and played a much more ...e role, not least in the ...icated loan market. The ...sations of rate-cutting ...led at them by some ...ern banks sounded uncon...ng; 1978 was a borrowers' ...et, a situation which gives ...to accusations of this type. ... consortium bands did not ...: their activities to OAPEC ...owers—countries such as ...occo and Jordan also bene... from their attention.

...ie interesting newcomer to ...anaging loans last year was ...rab Monetary Fund (AMF) ...n it co-led a loan to Algeria ...summer. The AMF was for...y established in 1976 as the ... world's version of the International Monetary Fund ...F) and directed primarily at ...ting member countries with ...nce of payments problems. AMF's entry into the financial markets, which surprised some, was felt to reflect its broader range of aims than those of the IMF and also the fact that with its smaller financial base it needs to operate as a commercial institution.

These banks are also widening the scope of their activities as witnessed by the decision of Gulf International to upgrade its London representative office to full branch status later this year: much more power of decision will be vested in the City office which suggests that the amount of business done with European clients will increase in the next year or so.

On the side of the borrowers, by far the client most hungry for loans remains Algeria; this will be the case in 1979 as it was in 1978 by simple virtue of the fact that this country is *in the middle* of financing a very ambitious gas liquefaction programme. Terms started softening for Algerian borrowers later than for most in the Third World to reach the level of 1 per cent for five years at present, 1½ per cent to 1¾ per cent on 10 or 12 year loans.

The process is slow because many banks are close to their ceilings on Algerian loans. How much lower they can go is a matter of conjecture but Algerian negotiators will probably want to tie commercial loans to specific projects or exim type credits so that exim guarantees can be obtained by the lending banks on the commercial tranches of such mixed loans. This type of transaction allows banks to participate *while not increasing* by much their exposure to Algerian risk and getting say Canadian, or French guaranteed paper instead.

Algeria has made an effort over the past year to get its borrowers to approach the market in more orderly fashion and reduce the amount of a forfait paper it issued.

The higher rates paid to bankers which bought such paper, as compared to the return available to them if they participated in syndicated loans seems to have had the effect of *keeping spreads on loans for* Algeria higher for longer than they need have been.

Neighbouring Morocco has been a far more modest borrower but has benefited from *the fall in spreads much faster* than Algeria. The loans currently being negotiated by the State phosphate company OCP includes a ⅞ per cent element for at least part of the life of the loan.

Jordan is another borrower with a steady track record and which has witnessed a steady fall in the rates at which it is able to raise money.

Reassessed

Borrowing in the Gulf has been scaled down last year as many ambitious projects were reassessed; there is little sign of much activity so far this year.

One major mishap which occurred earlier this year was when BAII lost the mandate to raise a $220m loan for Dubai Aluminium after the bank was vetoed from doing this business following a meeting of its holding company. Some of the shareholders are understood to have felt that one aluminium smelter in the Gulf was enough: Dubai's smelter would simply be adding capacity which no one could use. Lloyds Bank which had raised the loan which financed the initial costs of the Dubai smelter eventually got the mandate.

The greater sophistication of Arab banking is also reflected by the growing role played by some Middle East currencies, in particular the Kuwaiti dinar. Although as one observer recently put it the Kuwaiti dinar recipe is "as secret as Coca Cola's" the feeling among bankers is that half or just over of the basket of currencies against which the KD is fixed is made up of dollars. The currency has certainly been stable, appreciating against the dollar but in no such wild way as the yen or the Swiss francs.

Interest rates on KDs have also tracked a medium course between those offered to borrowers raising dollar or sterling denominated paper and those raising Swiss franc or DM denominated paper. Defenders of the KD market argue that fears of revaluation of the KD are groundless on a number of grounds. A revaluation would jeopardise many investments made by Kuwaitis abroad—especially those denominated in dollars. Kuwait, as distinct from funds like the Kuwait Fund for Arab Economic Development has extended many soft loans denominated in KDs.

A revaluation would be difficult for many of these borrowers to stomach. As it is the volume of new issues, the size of individual issues have increased while their maturity has lengthened over the past 15 months.

More good quality borrowers are raising KDs, the recent accolade given to this sector by Norges Kommunalbank having not passed unnoticed. Kuwaiti investment banks have become more aggressive marketers rather than just sitting back for deals to be brought to them. Today much effort is being made to improve the secondary market which is still in its infancy. Trading spreads of 1-1½ points were not infrequent but since the Arab Company for Trading Securities (ACTS) was formed back in 1977 by Kuwait International Investment Co. and the Industrial Bank of Kuwait dealing spreads of ½ points are becoming the norm.

KD bonds are also being placed more widely—outside the Middle East. Performance growth is a slow process but all signs point in the direction of further growth and sophistication. This sector needs more triple A borrowers. Recently a U.S. corporate name tapped it for the first time, Occidental Petroleum. More and better quality U.S. corporate names would make all the difference.

Francis Ghilès

BAHAMAS

Offshore leader

A NOTABLE feature of the 1970s has been the rapid development of offshore financial centres triggered by the increase in the international lending activities of U.S. banks. The lion's share of this offshore business has been absorbed by the Caribbean, which now accounts for about 13 per cent of the $850bn Eurocurrency market. Caribbean centres have become even more important following the rapid growth of arbitrage between the Eurodollar and U.S. domestic money markets. The Bahamas, with 9 or 10 per cent of the Eurocurrency market, has emerged as the largest single centre outside London.

Of the nearly 300 banks and trust companies located in Nassau, more than 100 are Eurocurrency branches. Eighty-two of these are American. The assets and liabilities of U.S. bank branches in the Bahamas *have expanded more than ten* times in less than seven years, up from about $8bn at the end of 1971 to $84bn at the end of August 1978.

Overall, non-resident deposits *have risen from* $20bn to more than $100bn.

To facilitate the movement of Euromarket funds, the Central Bank exempts Eurocurrency banks from exchange control regulations and from any reserve requirements on their domestic deposits. Financial institutions mobilising domestic funds are, however, subject to more stringent control and reporting requirements.

Because many are also engaged in offshore banking, the Central Bank requires that "*domestic*" and "*offshore*" assets and liabilities be reported separately. This has enabled the Bank to monitor the level of domestic money supply and domestic credit, and *to a large degree insulate* the economy from the market's inflationary impact.

Political and economic stability, coupled with favourable tax laws, good communications and a sophisticated financial *infrastructure, have made* offshore banking the Bahamas' most important industry after tourism.

The sector's annual economic input is estimated at $50m annually with an additional $500m invested in the form of loans, government bonds and fixed assets.

Equitable

A 50 per cent boost in bank and trust company licence fees from the first of the year has *provoked little complaint.* The increase is generally regarded as equitable, having regard to rising costs in every sector, and the fact that there has been no increase since 1971.

Commercial banks now have to pay an annual licence fee of $67,500, trust companies $22,500 and banks doing only international business $9,000.

Until recently, most of the *Euromarket loans booked in the* Bahamas were arranged at the banks' head offices. A noticeable trend in the past few years is the growing number of offshore banks that have *established their own Nassau office* to deal in Eurocurrency loans and deposits.

Largely responsible for the shift has been the requirement by more *foreign tax authorities* and Central Banks that the "mind and management" of offshore banking operations be genuinely conducted from abroad.

The Government is anxious to encourage the trend because of the increased economic benefits that would accrue from having more of the assets actually held in and managed from the Bahamas. In particular, it would like to see Nassau develop a greater capacity for international loan syndications. The ultimate objective is to transform the islands from offshore to international financial centre in the tradition of London.

Nicki Kelly

JAPAN

Controls irksome

JAPAN'S BANKING system, probably the most rigidly controlled in the advanced industrial world, is under growing domestic and external pressure for extensive changes towards more flexibility.

The basic law for the system is the Banking Act of 1927. Written after a post-World War I financial crisis, the law gives the Finance Minister strong powers to supervise, investigate and even suspend banks. He has powers to order a bank to submit reports or present documents and to instruct Ministry officials to investigate its business and condition of its assets whenever he likes. When considered necessary in the light of a bank's business or condition of its assets, he can suspend its business, have its assets deposited or issue any other necessary orders.

While it is disputed in academic circles whether these provisions give the Ministry extensive administrative powers to control banks, the Minister actually provided detailed administrative guidance in them in many areas.

The Finance Minister's powers of control increased during World War II, when many financial institutions underwent changes to meet the needs of wartime money policy. They were reorganised or merged, and as a result, the scale of trust and insurance companies, as well as commercial banks, was greatly expanded. Provincial banks were mostly merged into one bank per prefecture, while savings banks were converted into or merged with commercial banks.

Changes

After the end of the war Japanese financial institutions went through further changes, such as the conversion of trust companies into trust banks, which handled both banking and trust functions. Because of post-war inflation, traditional mutual loan companies changed into mutual credit banks and urban co-operatives into credit associations, and they were allowed to engage in almost every kind of business.

The Securities and Exchange Law of 1948, under the influence of the Allied occupation, forbade banks to conduct underwriting of securities. It did not, however, change the structure of markets in which the bulk of securities went into the portfolio of banks.

In 1952 a new system of long-term credit banks was introduced. It allowed long-term credit banks—three such banks emerged after the enactment of the law—to issue bank debentures to procure funds for long-term lending to cover a lack of a well-developed markets for long-term capital.

During the period of Japan's rapid economic growth between 1955 and 1970, funds required by Japanese industries for their expansion were supplied mainly by the personal sector, whose saving rate was very high (about 20 per cent). Since the capital markets were relatively slow to develop, the funds went mainly through banks to industries. The powers of the Bank of Japan, and consequently the Finance Ministry, increased greatly, as the central bank had to cover whatever shortages of funds there were by supplying its own credit within the needs required by the economic growth. Many business corporations were in a condition of "overborrowing," while city banks were in an "over-loaded" position, requiring strong control and supervision by authorities.

The present Japanese banking system is based on a pyramid hierarchy of financial institutions, featuring a rigidly controlled interest rate structure and a direct control over commercial banks' lendings by the so-called "window guidance" of the central bank.

The controlled nature of the interest rate structure is clearly displayed when basic interest rates are changed. The Bank of Japan, usually with advanced leaks to the Japanese Press to prepare the public opinion, first announces a change in its official discount rate and in a day or two city banks announce a change in their short-term prime lending rate, usually 0.25 per cent above the official discount rate. The rate is the same for all city banks, which announce it, however, individually to avoid charges of collusion under the Anti-Monopoly Law.

This is normally followed by changed in long-term interest rates, in the order of rates for national bonds, local government bonds, Government-guaranteed bonds, corporate bonds, bank debentures, long-term price lending, money trusts, etc.

The Japanese banking hierarchy, headed by the Bank of Japan, consists of 13 city banks, including one specialising in foreign exchange business, 63 local banks, seven trust banks, and three long-term credit banks, various types of financial institutions for small businesses, financial institutions for agriculture, forestry and fishery, and Government financial institutions.

Each group is supposed to keep order within itself and avoid trespassing others' ground. For instance, the monetary authorities frown upon any attempts by a city bank to upgrade its ranking in terms of deposits held by soliciting unusually large deposits so as to overtake a competitor. Another example is that all city banks have been paying their dividends at a uniform rate of 10 per cent per annum under the administrative guidance of the Finance Ministry.

Many Japanese economists and bankers have been suggesting that monetary authorities should liberalise the Japanese money market to help it absorb large amounts of deficit-covering national bond flotation.

Guided

Bank officials say the central bank has been urging the Finance Ministry to liberalise the interest rate structure. The bank itself guided the short-term money houses and other market forces to effect a few liberalisations of interest rates in the call money and bill discounting markets by introducing two-day to seven-day moneys and one-month bill, etc., at free interest rates, although key rates continue to be fixed.

The central bank has been urging the Finance Ministry to free the interest rate for 60-day Japanese Treasury bills, which is currently fixed by the Ministry at slightly above the official discount rate. The bank proposes that the Treasury bills should be issued through competitive auctions in the same way as TBs in the U.S.

Competitive auctions were actually applied to the sales and issues of some national bonds of medium-term maturity, to promote the digestion of bonds by the market. Mr. Teiichiro Morinaga, governor of the Bank of Japan, said at a recent Press conference he wondered if continuation of the present system of fixing long-term rates in Japan was well-advised.

The Financial System Research Council, an advisory body, has been working on a plan to amend the Banking Act. The main purposes of the amendment will be to expand the areas of banking business, oblige banks to make more disclosures, introduce a five-day week, adopt one-year accounting, instead of the present half-year accounting, and write part of the present administrative guidance into law.

In line with the spirit of projected amendment of the Banking Act, the Finance Ministry is reported to be conceiving new measures, including permission for banks to sell national bonds to the public, expansion of housing loans, and promotion of business tie-ups and mergers of banks. The Ministry has already permitted Japanese and foreign banks to issue yen-denominated negotiable certificates of deposit (CDs), within their respective quotas.

This is supposed to be another step towards liberalisation of interest rates in Japan, because the yen CDs to be issued for the first time are exempt from official controls over bank deposit rates maintained under the Extraordinary Interest Rate Adjustment Law. Actually, however, Japanese city banks are said to be sounding out monetary authorities about the adequate level of interest rates for CDs they plan to issue.

Both the EEC and the U.S. have criticised the Japanese banking system, the main point of the criticism being to ask why foreign banks operating in Japan are not allowed to do what Japanese banks are allowed to do in overseas markets.

The Japanese monetary authorities have retorted that every nation has its own traditional financial customs and practices, which foreign banks must observe in the same way as indigenous banks.

Mr. Douglas S. Werlinich, general manager of Japanese branches of Chase Manhattan Bank, said in a recent speech before the Financial Systems Study Committee, Ministry of Finance, that "the Japanese financial system can be characterised as having institutions with clearly defined franchises or roles operating in a money market having few instruments and rigidly controlled interest rates, all under the carfeul control or 'guidance' of the authorities." He also said "this leads to a large and sometimes cumbersome bureaucracy, with initiative and creativity frequently discouraged."

Mr. Werlinich added that the creation of the yen CD will be a major step towards internationalisation as well as untying the hands of foreign banks, presuming it is done in a fair matter. Logically, this should lead in time to a complete liberalisation of interest rates.

Foreign banks are also asking for permission to participate in yen syndicate, lead or co-lead syndicates partly supported by the Japanese Export-Import Bank funds, and raise longer term funding through debentures or some similar vehicle.

Saburo Matsukawa

SINGAPORE

Customers in droves

BANKERS IN Singapore, whether domestic or foreign, are rubbing their hands in glee as they see handsome profits rolling into their financial statements. It has been a healthy year all round and customers are turning up in droves to get credit for all the exciting projects they have in commerce and industry.

Local banks have had a particularly good year. While liquidity in excessive amounts was their bugbear in earlier years, businessmen have turned hopeful and are prepared to mop up much of that liquidity to fund their expansion programmes. In fact demand has been so good that interest rates have been rising gradually in the way that would have Lord Keynes smiling if he were talking to bankers today. The scenario is typically Keynesian—strong demand mopping up liquidity and giving a healthy boost to growth and business expectations.

Excellent

The Big Four on the local banking scene—the Development Bank of Singapore, the Overseas Chinese Banking Corporation, United Overseas Bank and Overseas Union Bank—have all reported excellent profit growth ranging from 24 per cent to 60 per cent over the past year or so.

While the domestic scene was filled with the mood of gaiety, international bankers located in Singapore were not left to mope by the wayside. The Minister for Finance, Mr. Hon Sui Sen, last year announced the total liberalisation of foreign exchange controls.

While the announcements took Singaporeans by storm, it only raised the slightest hint of a smile on the faces of foreign bankers. They had been expecting it and did not find it overwhelming. While they were not exactly overjoyed, they were nevertheless pleased to see yet another control removed.

And the hints had been emerging gradually from the Monetary Authority of Singapore (MAS). Singapore's equivalent to a central bank with all the functions of a central bank except that of currency issue. The MAS had been slowly but certainly allowing bankers to handle more and more of the approving functions required in currency control. It has realised that the strong regulatory measures of previous years had created an environment where bankers, whether local or foreign, were developing a high degree of professionalism and that unscrupulous financiers would find it difficult to penetrate the banking centre.

The actual announcement only served to confirm and formally endorse the series of liberalisation measures taken over the last two years. Admittedly the authorities were taking a gamble in that the domestic economy could hardly be insulated from the influences of foreign exchange flows. Yet the measures as a whole have worked well.

Bankers as a whole are breathing more easily after the relaxation of controls but the banking scene as a whole remains one of great composure, with very professional central bankers keeping their fingers on the pulse of the financial centre. Bankers know full well that polite signals will emerge if they misbehave, and the warning signs, however courteously put, remain warnings.

That said, the general picture remains rosy. The daily turnover on the foreign exchange markets is estimated at around $3bn a day in Singapore. While this may look relatively tame compared with the figure of U.S.$ 50bn seen in London, it compares healthily with the daily business of $350m seen only five years ago. In addition, company income tax on foreign or offshore lending has been reduced from 40 to 10 per cent.

The two main currencies traded in Singapore are the dollar and the yen. The number of Japanese banks here has resulted in a fairly formidable yen market appearing on the scene. With the kind of fluctuations seen last year in the two currencies, it is to be expected that money brokers have been keeping the telephone wires red hot.

In fact bankers and their money brokers have gone into a huddle recently to discuss the possibility of a lowering in brokerage rates. Money brokers have been trying to ward this off as they feel that the volume remains low but the growth of the market may well mean that the banks will dictate the pace.

While foreign exchange dealing activity has remained high, international lending activity has been constrained by the fine margins obtained by the big international borrowers. As a result many foreign bankers have decided to play it cool and insist on a spread of at least ½ per cent above Libor or Sibor before they are prepared to lend money. This compares with the wild rush to dump excess funds on the laps of borrowers not so many years ago. This level-headed approach has not prevented prime borrowers from extracting lower spreads from loudly complaining bankers. But it is a healthy note that bankers have reasonably good memories of the financial disasters of yesteryear.

Typically

This is why local banks with both domestic and international business have turned their attention from driving ahead into foreign loan markets towards a more introspective approach with the flexibility of operating in both markets, they have naturally turned their noses in the direction of the home market where the scent of profits is strong.

Typically in an economy that is regaining healthy growth, the nearly 8 per cent last year, demand is picking up with bankers and their customers still remembering the dangers of becoming overstretched. As a result the prime rate has been steadily rising from a low of 6½ per cent to about eight per cent in recent months.

With the economy radiating good health, the property market has shown signs that it is turning around from the dismal depths of inactivity it had fallen into. Commercial properties have in fact sprung to life in an amazingly quick manner and the property speculator appears to have rejuvenated himself. This has helped to keep loan demand good.

At the retail end of the domestic banking scene, nothing is perhaps as awesome as the penetration of the Post Office Savings Bank into the retail banking market. With over a million accounts in an island of 2.4m inhabitants, there is no doubt which is the top retail bank in town.

While the local banks have pointed a finger at the POSB for eating into their markets on the strength of tax-exempt interest offered to depositors of the National Savings Bank, none has dared to say that the POSB has failed to be at the forefront of the retail banking revolution. With a fully computerised operation it has done more than the others to provide retail banking services in every way except the current account function than the others.

While it has been in the forefront of innovation, it is also true that it has no problem about getting branch licences as it is not controlled under the Banking Act and does not need to apply for a licence when it opens a new outlet. Banks on the other hand require the approval of the MAS for branch licences. On the whole the MAS has been willing to let local banks expand into new housing estates and this trend has proven profitable for domestic banks.

The POSB has provided the competition required to push other banks into computerising their activities and several of the smaller banks have got together in cost-sharing exercises. Yet they are likely to continue falling behind the National Savings Bank as the latter has ventured into setting up banking counters in the superstores and the provision of night banking services. It is also the best prepared for the introduction of automated teller machines.

This competition is forcing local banks to reconsider their strategies and the emphasis is now on better and more courteous service. Some have even gone as far as lucky draws to bring in the savers. But it is likely that only those taking a genuine interest in full retail banking activities will carry the day.

Georgie Lee

HONG KONG

Government takes new powers

HONG KONG is peculiar in many ways, one being that it has no central bank. From time to time it is suggested that the colony should move into the second half of the 20th century and acquire one of these august institutions. The most recent call has come from some foreign bankers operating here. Once again, the Government has said that there is no need for a central bank.

In reality, the argument about whether or not there should be a central bank obscures the fact that there is an ongoing, gradual process by which the Government is taking on itself some of the functions of a central bank.

Its main instrument is the Office of the Secretary for Monetary Affairs, a department which comes directly under the Financial Secretary. Growth of the role of the Monetary Affairs Department has been especially rapid in the past year, both as a consequence of and in response to, a very rapid expansion of money supply and credit over the past 18 months — a growth which has occasioned a sharp fall in the value of the Hong Kong dollar and threatened a larger de-stabilisation of the financial system.

Traditionally, Government *powers over the banking system* have been confined to the office of the Banking Commissioner. This office administers the banking ordinance which regulates the banking system. But the objectives of the Banking Commission are the prudential supervision of individual banks to ensure that they conduct their affairs in a manner that safeguards their depositors. It has not been concerned in any way with the financial or monetary system as a whole. That has been left to take care of itself.

Three significant things have happended to Hongkong banking in the past year. First, a moratorium on banking licences has been lifted. Major foreign banks which, unless established prior to 1965, were only able to operate through representative offices or finance company subsidiaries have now been given licences.

Wing

Secondly, the finance companies have been brought under the wing of the Banking Commissioner and are soon to be subject to liquidity requirements and possibly other measures of prudential supervision.

The most significant move has been a change in the banking ordinance enabling the liquidity requirements imposed on banks to be used as a means of influencing money supply and interest rates, rather than, as hitherto, simply to ensure prudent operation.

Under an amendment which came into force this month, the Government's short-term (that is, seven days or less) deposits with the local banks will be treated as domestic interbank deposits requiring 100 per cent liquidity cover rather than as ordinary customer deposits, against which only 25 per cent specified liquid assets must be held. The Government will be able to influence liquidity by shifting funds to and from short term category Government deposits, currently account for nearly 9 per cent of total domestic deposits of HK$69bn and are growing rapidly on account of large budget surpluses.

The Government took this new power because it believed that the banks had been too slow in raising interest rates to dampen loan demand which has grown very dramatically over the past year. Loan growth is only now beginning to slow after seven best lending rate increases in four months to a record level of 13 per cent. At the end of February, loans were up 47 per cent on a year earlier, though deposits increased only 25 per cent.

Delayed

The Financial Secretary, Mr. Philip Haddon-Cave, has suggested that the cartel nature of the interest rate fixing system tended to result in a delayed response to the need for rate changes. However, another reason for the rapid growth in loans was that the Government's own surpluses were not having the deflationary effect that they used to when they were almost automatically invested abroad.

A large trade deficit brought about by excess domestic demand was weakening the Hong Kong dollar. The Government did not want to exacerbate this decline, and thus fuel price inflation, by further weakening the currency by selling Hong Kong dollars to acquire foreign currency reserve assets.

It has been argued that the new liquidity deficition will not necessarily tighten liquidity. Banks can offset any new requirement by borrowing from parents or associates overseas. Foreign interbank borrowings do not require any liquidity cover. However, such borrowing exposes banks to exchange risks.

That risk has been highlighted by recent erratic behaviour of the Hong Kong dollar. Last year it had been as high as 4.60 to the U.S. dollar and its trade weighted index rose to 115. However, it declined fairly steadily during 1978 and early 1979 and a *speculative attack in April* drove it down to 5.30 against the U.S. currency and its trade-weighted average to 90 before recovering to around 5.06 to the U.S. dollar.

Complaints against the rate setting cartel have also been voiced, more strongly and for different reasons by some foreign banks' tardiness in raising best lending rate has meant that, for much of the past year, the interbank call rate has been above the best lending rate.

This has been a serious problem for those foreign banks with a narrow domestic deposit base which rely on the short-term interbank market to fund their local lending operations. They feel that they have been unfairly and deliberately squeezed by local banks, of which the Hongkong and Shanghai is dominant.

Some of them would like to see an official lender of last resort (i.e. some form of central bank) to release them from what they see as "the tyranny of a local oligopoly."

However, critics of these banks reply that the shortage of funds in the interbank market has been largely genuine, and not an engineered squeeze. It has been partly caused by demand for funds by the banks which have acquired licences since liberalisation of licences was started last year. (There are now 103 licensed banks compared with 74 a year ago).

There has also been a very *rapid growth of loans relative to* deposits. The loan deposit ratio at the end of February was 81 per cent, almost an all time high, compared with 69 per cent a year previously.

Though the banks overall liquidity ratios have remained unchanged at around 45.5 per cent, the level has been maintained by borrowing from banks abroad. The domestic liquidity pool has shrunk. The apparent net foreign asset position of local banks (defined as the excess of foreign loans and interbank balances overseas over interbank borrowings overseas) declined from HK$16bn to HK$9bn between February 1978 and 1979.

Loans overseas between the two periods actually declined by 19.6bn to 17.3bn. This was due to worries about the tax liability on certain off-shore loans arranged through Hong Kong, arising from tax code amendments in the 1978 budget.

Following the issue of informal guidelines, most banks now believe that early fears about the tax were exaggerated, but there is still some hesitancy till there is actual experience of inland revenue assessments.

Whilst the foreign banks have been urging more Government action to counterbalance the alleged "local oligopoly," the local banks have been urging more Government action to control the deposit-taking companies.

The DTCS can do almost anything a bank can do except take deposits of under HK$50,000, issue chequebooks and take savings deposits. But they are subject to minimal regulation.

The banks had long been warning of the dangers of this large and unregulated sector. They seemed vindicated when, last November, there was a run on the largest of the local DTCS, Sun Hung Kai Finance Ltd., an offshoot of Sun Hung Kai Securities, Hongkong's largest securities house.

The origins of the run are obscure. SHK had to be bailed out by a combination of credit lines from the Hongkong Bank and the French bank group, Parisbas, which only a few months before had acquired a minority stake in SHK, and verbal backing from the Financial Secretary.

The run roughly coincided with publication of a Bill to require DTCS to report regularly to the Banking Commissioner and which will, probably later this year, subject them to formal liquidity requirements.

The problem with the DTCS is that they are so varied, all told, there are some 244 of them. Some such as Chaselasia Ltd. are offshoots of international banks and are used as conduits for large scale U.S. dollar international syndicated lending. Many are subsidiaries of local banks which use them for hire purchase finance, mortgage lending, leasing and so on. Many more are small, essentially "in-house" operations of family businesses.

The SHK run suggested that they might be very vulnerable to a liquidity squeeze and to sharp falls in the property and stock markets. But *officials* suggest that the figures obtained so far from the DTCS are, for the most part, reassuring.

SHK is almost the only DTC not linked directly to a local bank which is actively bidding for deposits from the public.

Furthermore, DTC lending *has not been a significant role* in the credit boom of the past year. At end-February, DTC advances in Hong Kong totalled only HK$9bn compared with HK$52.8bn for the banks, and DTC lending was mostly financed from bank borrowings rather than from public deposits.

The banking Commission is studying DTC returns to see what level and form of liquidity requirement would be most appropriate for them. It is likely to be lower than for the banks and to be linked to the average maturity of deposits (which is much longer than for banks).

Enlarge

For the DTC's, the Government may also enlarge the defi*nition of liquidity to ensure that* there is enough overall liquidity in the system. At present, only three types of HK dollar liquid assets exist: cash, Government paper, of which there is only a tiny amount in issue, and short-term deposits with licensed banks.

The Government is considering widening the definition for the DTCs to include deposits with other DTCs, certificates of deposit and, perhaps, certain types of bill of exchange.

Essentially, Hong Kong needs a bigger variety of liquid assets. But active secondary markets in such potential liquid assets as CDS have not developed, partly because they are not recognised as liquid assets. Decisions on the DTCs will be important because they present an opportunity to develop a bigger range of financial instruments.

Hong Kong has lagged in creating financial instruments because of the lack of Government debt.

Clearly, Hong Kong does not need a central bank to carry out the principal central bank function—management of public debt. But it is moving towards a greater say in monetary affairs for the opposite reason: management of its surpluses.

Philip Bowring

MALAYSIA

Pursuing independence

IN RECENT YEARS the Malaysian banking system has grown rapidly in line with the growth in the economy. Before independence in 1957 there were 20 banks with 88 branches. Twelve of them, with 77 branches, were foreign-owned. Today there are 37 banks, with over 500 branches, and 20 of them are local. There are also 12 merchant banks and five discount houses, plus a broad range of other financial institutions.

Malaysian banks, like banks all over the world, have to conform to the economic and political changes at home, and in the process have taken on some distinctly Malaysian functions and characteristics. Until the 1960s the foreign banks dominated the banking scene. They were orientated largely towards serving the trading, mining and plantation sectors. After independence, the Malaysian authorities turned their attention to developing a Malaysian monetary and banking structure, as opposed to a colonially orientated one.

As part of this policy foreign banks are not allowed to open new branches in the country. Banks controlled by a foreign government are not allowed to operate.

The Bank of China had to close its branches in 1959. When the Indian government nationalised banks in 1974 the three Indian Banks in Malaysia had to restructure their equity, taking in Malaysian partners, and merged into a single commercial bank.

Although foreign banks are not allowed to open branches, they still get some of the most lucrative business in the country and hold as much as 45 per cent of the total bank deposits. The Chartered Bank, Hongkong and Shanghai Bank and the Overseas Chinese Banking Corporation (all foreign) are among the top seven banks in Malaysia.

Malaysian banks have to conform to the Government's new economic policy, designed to reduce the economic disparities among the Malays and the Chinese. The policy demands active government intervention in the industry through the setting up of Government-sponsored banks to help the Malays in commerce and industry. Privately owned banks are required to recruit more Malays to their staff and follow Government guidelines on lending.

The Malaysian Government's control of the banking industry is far greater than is commonly known. It is the major shareholder of Malayan Banking, the biggest bank in the country. It owns Bank Bumiputra (second biggest), Bank Pertanian (agriculture) and Bank Pembangunan (development).

The authorities also direct banks to channel specific portions of their loans to what it regards as the "priority sectors." Specifically, at least 20 per cent of the increases in loans since 1977 have to be given out to the Bumiputra (Malay) community, 25 per cent for manufacturing, 10 per cent for agricultural and 10 per cent for housing.

For the banking industry as a whole these lending targets have been reached, except for agriculture, where the achievement was only 2.8 per cent last year. Banks which are not reaching their lending targets to Bumiputras and agriculture are penalised by having to deposit sums equal to the shortfall with Government financial agencies at 5 per cent annual interest. These sums are then distributed to the required sectors.

At the apex of the banking system is Bank Negara, the central bank. Set up in 1959 it operates very much like the Bank of England as the custodian of the nation's financial health, currency issuing authority and lender of last resort.

The Malaysian financial and banking system today carries the deep imprints of Tan Sri Ismail Ali, the 60-year-old central bank Governor. A physically small man with a forceful personality, he has been in the job for the past 17 years, and is a respected "terror" among the financial fraternity.

The efficiency of the central bank is a source of great pride to him, and his zeal is to instil a sense of honesty, integrity, hard work and public service in the industry. Tan Sri Ismail complains there are still bank directors who have no idea of their role as trustees of public money. Other directors enrich themselves and their relatives with cheap and easy loans, although quite a few have been neutralised by the central bank.

Of late the Malaysian Government is moving to develop Kuala Lumpur as a financial and commodity centre. Several important decisions on this were made in last year's budget.

Banks are now free to quote their interest rates. The 15 per cent withholding tax on interest earned by non-resident banks has been lifted. And this month the authorities introduced new financial instruments —bankers' acceptances and negotiatable certificates of deposit—to give greater sophistication and competition in the markets.

Wong Sulong

IRAN

System unscathed

AFTER A turbulent and momentous year in which banks were often the prime target of the anti-Shah movement, the Iranian banking system has emerged relatively unscathed. Last January the system was described by one foreign analyst as "technically bankrupt."

Superficially there has been a remarkable recovery, but the legacy of the revolution is still being felt. The biggest weakness is in the field of management where worker committees are playing a big role. Inevitably the brunt of the effort to restore normal conditions has fallen on the State-owned giant, Bank Melli, and on the central bank, Bank Markazi. Here there are hopeful signs of a determination to play an active role in the recovery programme.

Top priority is being given to restoring domestic and international confidence. To that extent the record of the past three months since the revolution has been reasonably good. There has been no case of default on foreign debt and Iranian central bankers have repeatedly reassured sceptical foreigners that all commitments will be met. It was nevertheless felt necessary in April to send a top level delegation to Europe to negotiate deferred repayments on a number of agreements.

Until a permanent government is established no major changes in the present structure of 25 commercial and 12 development banks are likely to take place. Anywhere else, or perhaps even under other circumstances in Iran, three or four of the privately owned banks would have folded by now, probably by merging with a larger rival. This has not been possible so far because the central bank has stuck resolutely to its policy of not permitting bankruptcies, fearing the consequent damage to public confidence, and because mergers cannot take place without a change in the law. Such a change is likely to be an early measure before a new Parliament.

The present system is a mixed one. Out of the total of 37 banks presently operating, 22 are privately owned, 10 are Government-owned and four are quasi-public institutions. One former Government bank, the Industrial Credit Bank (ICB), began the process of divesting itself of its State control before the revolution but it now seems unlikely that others will follow suit as was originally planned.

Over the past month the central bank has announced the allocation of large credits totalling 80bn rials ($1.135bn) through the commercial system for the rejuvenation of industry, but demand is predictably very slack apart from the payment of back wages. Further sums are also to be made available through the specialised development banks.

Turmoil

Several privately-owned development banks, however, which formerly played a significant part in promoting capital investment are reported to be very short of funds. Institutions such as the Industrial, Mining and Development Bank of Iran (IMDBI) and the Development and Investment Bank of Iran (DIBI), in which Williams and Glyn's has an interest, face an uncertain future while the industrial sector remains in its present state of turmoil.

The central bank of Iran h in recent years increasing taken on the regulato functions of its counterparts the West. For long it had be rendered ineffective by t predominance of a dozen or powerful individuals controlli their respective banks. But fro late 1976 onwards it has show its teeth, especially over foreig exchange dealings.

At present the bank is takin a relaxed attitude towards most unusual situation, which half the commerci banks are suffering from exce liquidity while many of t remainder would be unable continue in business if the were compelled to meet t central bank's reserve requir ments and other guidelines. part of a policy of reinjectin funds back into the econom reserve requirements have bee reduced to 12 per cent for mor types of deposits.

To maintain the liquidity the system during the cris the central bank vastly in creased the money stock circulation. Note issue for th first 11 months of 1977-78, period of squeeze, was 20b rials, but by March 1979 it stoo at 900bn rials. Since the revolu tion an estimated 500bn rial is believed to have returned t the system.

A striking consequence o the crisis was the further strengthening of Bank Melli which already controls a third of total deposits in Iran. Up to 1960 Bank Melli acted as central bank and it has continued as the Government's receiving and disbursing agency. In January this year its assets were put unofficially at $17bn compared with $10.14bn in March 1978, the end of the previous financial year. Bank Melli is the only Iranian banking institution which would feature in the top 50 of a world league table in terms of size.

Taken together with Bank Sepah, which is owned by the Army pension fund, and Bank Saderat, the biggest of the private banks with its thousands of small shareholders, these three hold 53 per cent of all assets in the commercial system. Since the revolution they have acted as a conservative force on the domestic market, hoarding funds and acting almost like central banks. But the embryonic interbank market developing in the mid-1970s is nowhere in sight.

Banking in Iran was slow to modernise under the Shah, and the latest events on the political front have set back the few encouraging signs. Iran remains a cash society, in which cheques are distrusted, public utility bills to the Government are paid in cash and credit cards are accepted in very few outlets.

As for personal banking services and investment advice, only two banks had begun to think in terms of portfolios. But as far as everyone is concerned the setback to modernisation will be a small price to pay for the restoration of public confidence in a system which received a near fatal shock in the past year.

Andrew Whitley

BLACK AFRICA

Developing needs

"ONE OF THE biggest problems we are facing is to adjust our lending policies to the needs of a developing African country," said the manager of an English bank's African branch, recently.

He was talking particularly about the problems of gearing the lending policy to suit some governments' requirements on lending to certain sectors of the economy. As African governments concern themselves more and more with the activities of the private banking sector there is increasing pressure on banks to lend to specified sectors—especially agriculture.

Commercial banks have shown an increasing willingness to tailor their policies to meet the needs of developing countries while facing up to the political and economic realities of Africa. Many bankers are optimistic that once this difficult phase of change from a banking system which essentially only served the colonial elite and the rich to one which caters for an entire society is achieved, banking has a positive future in Africa.

For instance, there has been a growth in the "High Street" banking activities of many commercial banks in black Africa. Despite the enormous problems surrounding an extension of banking services into the hinterland away from the urban concentrations, there have been attempts to spread further. Experiments with mobile banks and co-operation with government agencies which have branches in many villages have been tried with varying degrees of success.

Pressure

While banks have felt the increasingly heavy pressure of governments on their lending policies on the one hand they have also felt the gradual encroachments of the public sector into their ownership.

Since independence, Tanzania, Ethiopia, Sudan, Somalia and Mozambique have all nationalised their commercial banking sectors. At the same time, Nigeria ruled in 1976 that 60 per cent of foreign banks operating in the country had to be locally owned.

Oil-rich Nigeria has always been a trend-setter in the future patterns of development in other African countries. Its move, which was accepted philosophically by most of the banks involved, was certainly watched with interest by other countries which want a bigger say in how the commercial banks in the country are operated.

Recent depressing factors on the international economy such as the OPEC oil price increase are bound to delay any recovery worldwide for some years yet, Western economists believe. Some bankers are looking on this as a breathing space in which they can adapt themselves better to local needs and conditions in Africa and possibly avoid attracting the government's attention when it starts looking at ways of expanding the public sector when it has the money.

But one further aspect of government intervention in the policies of Western banks was shown last year when the Nigerian Government announced it was withdrawing all State funds from Barclays Bank. The Nigerian decision was in protest at Barclays policy towards South Africa. Although no further action has been taken, it sent shivers up the spines of many other companies which have dealings with South Africa.

Bankers consider the move another facet of the instability which makes banking in Africa still a relatively high risk business. Although they feel there is a future for operating branch banks to cater for the domestic market, the international banks are becoming far more cautious about their future lending policies direct to governments and commerce in African countries.

The lesson of Zaire will not be quickly forgotten. There is still an estimated $500m of outstanding commercial bank debt to western banks and little immediate prospect of substantial repayments.

Yet in 1973 and 1974, when copper prices were booming, the commercial banks were practically falling over each other to lend money to the Kinshasa Government despite the underlying weakness of its balance of payments position, the widespread corruption and the growing neglect of everyday administration.

With Zaire looking for yet another rescheduling of the outstanding debt, there is a more critical mood felt in the banking world towards large-scale lending to African countries. The latest country to look at the world's commercial money markets for borrowing is reportedly Tanzania which, after years of refusing credit on commercial terms, is now actively searching.

The bankers' biggest headache now is trying to predict whether or not a country's economic and political stability can be guaranteed. In the case of Tanzania there is little doubt that despite the strains placed on the country's resources by the war in Uganda there is no immediate threat of anyone removing President Julius Nyerere.

The same near guarantee of political stability has made the francophone countries of Africa an extremely attractive prospect in terms of lending. Thanks primarily to the rigid monetary control exercised by the joint central banks of the monetary unions in west and central Africa, remittances are guaranteed and debt ratios kept to manageable proportions.

This stability has encouraged more non-French banks to extend credit to companies operating within the French franc zone. The major British banks have been operating on a modest scale compared with French banks but most are considering ways of increasing their activity. Barclays has backed a trend of growing foreign investment in French West Africa by opening the first branch bank in francophone Africa in Abidjan, Ivory Coast.

By a Correspondent

AUSTRALIA

Privilege queried

JSTRALIA'S COMFORTABLE ivileged banking "club" is .der pressure. There has long en criticism by foreign banks the "closed shop" system in istralia, which restricts the ;ht to offer full banking ser- ces to a handful of locally med trading banks.

The Federal Government cently announced a wide- eeping inquiry into the ustralian financial system, the st since the 1937 Royal Com- ssion into the monetary and nking system.

The Australian trading banks : hoping for liberalisation of ne of the existing constraints d controls under which they erate, while at the same time uintaining their privileged sition.

At the same time, the foreign nks see the inquiry as an im- rtant chance to push their se to be allowed to operate ll banking services, and to ept deposits from the public. e foreign banks are restricted present to representative ices.

Unfortunately for the Austra- n trading banks, the timing uld now hardly be worse. One the club—admittedly, the allest—the Bank of Adelaide s been forced to seek a merger th another of the Australian iding banks to prevent the ssibility of collapse.

Moreover, the major trading nks and the Reserve have en forced to provide A$60m a major rescue operation for Bank of Adelaide, similar the "Operation Lifeboat" ercise in UK in 1974 when the nk of England and the major nks set up a committee to ance secondary banks which d been hard-hit by a crisis of ifidence, following a failure some international banks.

Ironically, the Adelaide's oblems are not attributable to traditional banking opera- ns, but to its wholly-owned ance company, Finance Cor- ration of Australia, which is tside the umbrella of the serve Bank's direct controls.

The Reserve Bank has the wer to control the banks' rate lending and influence the ms of lending, policies uidity ratios under a "volun- y" convention and influences interest rates. These powers often applied in the form suasion, rather than imple- ntation. The reserve holds ular meetings with the banks d if the resave mentions that would like, for example, to a reduction in the rate of iding, orp erhaps a diversion lending into, say, housing, e banks have little option but pay heed, to ignore the uggestions would only lead to e reserve "freezing" funds in ecial statutory reserve posits, which carry a low non- mmercial rate of interest.

The banks chafe at these con- ols and rightly claim that one the major outcomes has nply been a much faster rate growth of the other segments the financial companies, ilding societies and the mer- ant banks, which are un- mmelled by official controls. The finance companies, in rticular, which specialise in consumer lending and leasing, have grown at a rapid pace, and taken much business from the banks during periods of official constraint.

The banks have attempted to counter this trend by taking direct interests in the finan- ciers. The "bank-backed" financiers, as the finance com- panies with an Australian bank link are known, now dominate the industry.

In the early 1970s the finan- ciers, dazzled by the seemingly endless and huge profits in pro- perty, began to invest in this area in a large way, funding developers and, in several cases, moving directly into pro- perty investment in their own right.

When the boom collapsed in 1973, several major financiers found themselves in liquidity difficulties with significant amounts of their assets tied up in non-income producing invest- ments. The major shareholders were forced to step in and mount rescue operations, to prevent large scale failures.

Keen

The problems encountered by the trading banks is certain to be highlighted by foreign banks keen to establish opera- tions in Australia. A number of foreign banks are believed to have displayed interest in step- ping in as major shareholders of the Bank of Adelaide to solve the current crisis, but the Reserve stayed with the status quo and advised a merger with a local trading bank.

The role of the Reserve in its monitoring of the financial system is unlikely to emerge unscathed from the present upheaval. The Reserve has actually had the power since 1975 to extend the controls imposed upon the banks to the non-bank financial intermedi- aries.

The Australian trading banks will certainly oppose any moves to allow foreign banks to estab- lish full banking operations locally. There are two banks, the Banque Nationale de Paris and the Bank of New Zealand, which do hold banking licences, but they are long-standing historical arrangements, and the two banks hold only a minor share of the market.

One of the major arguments of the Australian banks is that the introduction of foreign banks would threaten the local bank branch network, and lead to closures, which would be politically unpopular. There is little doubt that Australia is "overbanked" in the sense of the number of bank branches it supports. There are almost 6,000 branches throughout Australia, with a great deal of duplication: often with rival banks locating branches almost next door to each other.

Even small country towns usually boast branches from all the major trading banks. Foreign banks would not be in- terested in a branch network and the trading banks claim that they would be forced to close branches if foreign banks were allowed in.

Ideally, the banks hope that the Campbell Inquiry will not only recommend that bank licences be restricted to the dis- mantled. Failing this, they argue that the controls should be extended over the non-bank financial intermediaries.

One area where changes are likely is in foreign exchange dealings. The trading banks handle all spot foreign exchange transactions at present, but there is no foreign exchange market in Australia. The only forward cover obtainable is through the Reserve Bank and is limited to trade transactions.

In mid-1978, Australian banks in London were allowed to trade competitively in Australian dollars, settle their own buying and selling rates. Previously, they had used mutually-agreed buying and selling prices. A more recent, and much more significant, development was the decision by the Federal government to allow the estab- lishment of a currency futures market and an official hedge or "grey" market.

An unofficial hedge market, in which the opposite currency risks of importers and exporters are "married" has been oper- ating for four years by a few merchant banks, with the tacit approval of the reserve bank.

The trading banks now intend to establish their own hedge market: as the banks already have most of the foreign exchange business they must be well placed, although the exist- ing hedge market operators seem confident they can survive.

The currency futures market will be operated by the Sydney futures exchange which already trades in several commodities, including wool, cattle and gold. It caps the end of a seven-year struggle by the SFE to intro- duce the market, which was strenuously opposed by the federal treasury because of fears that it could lead to uncon- trolled speculation in the Australian dollar.

Brian Frith

NEW ZEALAND

Speedier changes

BANKING IN New Zealand is moving out of its traditional attitudes into new philosophies. This development has been pro- gressing throughout the past decade and while changes initially were slow they have gradually gathered momentum and are likely to come even faster during the next few years. This will bring many new ideas and innovations, and the adoption of some methods which have been slow to be applied to New Zealand banking.

Many of the long-established controls which limited the freedom of New Zealand bankers and confined them to strictly defined narrow paths have been removed altogether or at least considerably weakened. Much of the credit must go to the Reserve Bank and the resulting change in the relationship between the Bank and the five trading banks is one of the most significant developments of the past decade.

This improved relationship springs from the realisation by bankers that the Bank was sympathetic to their problems in trying to cope with restric- tions or limitations imposed on them by political policies.

The increased willingness of the Bank not only to speak out against these policies when they did not work but to campaign actively behind the scenes to have them removed or modified showed bankers that it under- stood their frustrations and was prepared to fight on their behalf. As a result the improved relationship between the bankers and the Bank compared with 10 or 12 years ago is—in banking terms — almost dramatic.

Many of the controls, some of which were designed to keep interest rates to a minimum and to direct the flow of credit did not achieve what politicians hoped for.

Severely controlled limits on interest rates only suppressed the trading banks and enabled the non-banking houses, which could offer more attractive rates for deposit funds, to grow and expand. Banks were—and to some extent still, are—also limited in their lending ability and this too gave finance houses a chance to capture a sizeable market.

Some New Zealand bankers believe finance houses in New Zealand grew more rapidly and strongly than in any other country. They certainly posed a severe challenge to the growth of the trading banks.

Seized

When given a chance to become more competitive the banks seized it. It took some of the older and more conservative bankers, unused to the dizzy freedom—or perhaps the chal- lenge—of competing freely in the market-place, some time to grasp fully the possibilities open to them, but all now com- pete vigorously. In the past year they provided extremely strong competition, both to each other and to non-banking finance houses, in seeking deposit money.

Bankers now admit it was the Bank which took most of the initiative in getting controls lifted and winning banks the right to compete more freely. This did not happen overnight but looking back over a decade a clear pattern can be seen. The Bank started slowly, had some success in persuading central government to try a few changes, and then, buoyed with this success, became more pressing in seeking further removal of restrictions in the New Zealand banking world.

The Bank is certainly more outspoken than its Australian counterpart. This willingness to speak its mind tactfully but publicly, advocating fewer con- trols and helping shape banking policy along the lines which bankers consider to be more progressive than those set down by political policy makers, has not gone unappreciated by New Zealand bankers.

In the generally understood sense the Reserve Bank is not a bank at all. It is a regulatory body, keeping a check on bank- ing activities and controlling these to conform to Govern- ment policy. It controls the money supply and oversees the operation of the ratio of trading banks' funds which by Govern- ment decree must be invested in Government securities. This percentage varies regularly, depending upon whether credit is tight or plentiful.

This is more difficult to operate than non-banking officials realise.

The Bank sets foreign exchange rates and earlier this year introduced a new major development in foreign exchange dealings. From February 1 the Bank has quoted only rates for U.S. dollars, leaving each individual bank to set its own rate for other currencies. Banks are now permitted to consult each other on their exchange rate quota- tions and many differences in rates quoted by individual banks have shown up. In this area too a more competitive foreign exchange market has developed.

The Bank also channels Gov- ernment funds into the farming industry when necessary. This is done through producer boards such as the Meat Board, Dairy Board or Wool Board when one or other of these vital indus- tries is facing severe economic strain, possibly through a col- lapse of overseas commodity prices or a severe drought.

The NZ banking system is a local adaptation of overseas systems, though with probably much greater Government direction. There are five main trading banks. One of these, the Bank of New Zealand, is State-owned but operates as a trading bank in direct competi- tion with the other banks.

Three—the ANZ (Australia and New Zealand), Bank of New South Wales and the Common- wealth Bank of Australia—are all Australian-based. The fifth, the National Bank, is sub- stantially owned by Lloyds of Britain. Other foreign banks do not have branches in New Zealand. The Bank of Tokyo and the Bank of America are represented by offices only.

On a global basis New Zea- land banks are of modest size, which is to be expected in a country with a population of only 3.1m. Not surprisingly the largest bank is the Bank of New Zealand, which does twice the business of any other bank.

It has around 38 to 40 per cent of trading bank business. Then comes the ANZ with just over 20 per cent. The Wales and the National have about 15 per cent each—although the Wales is promoting itself heavily to attract the small depositor. The CBA has the remaining 10 or 12 per cent of bank business.

Dai Hayward
Wellington Correspondent

TURKEY

Political confrontation

During the past six months the Turkish Government and the country's banking system have been shaping up for a confrontation. Mr. Faruk Sukan, a Deputy Prime Minister, has accused the banks of being a "club for the elite." Another Minister has severely criticised their lending practices, saying they "accelerate the development of monopoly accumulation of capital." A third has even described the country's whole banking and credit system as bankrupt.

The dispute is less an ideological one—Mr. Sukan is a leading conservative in the present coalition—than an argument over whether the banking system is meeting the needs of the economy. Critics of the system argue that the high profit ratios obtained allow swollen costs and that they divert from investment funds needed for the development of Turkey.

These trends to a large extent result from the nature of the law governing the banks. Described by one banker as "conceived with the spirit of the 1920s and meeting the requirements of the 1930s," the law severely circumscribes the bank's operations. Loans larger than the equivalent of £3,000 require the written approval of both the bank's general management and its committee of administration. Opening a new branch necessitates an investigation by the Ministry of Finance and approval by the Ministry of Commerce. If the Ministers complain at the system they are to some extent responsible in failing to change its legislative framework.

When the present coalition took office 16 months ago it promised to direct credits to productive sectors of the economy. But it was only at the beginning of this year that Mr. Ziya Muezzinoglu, the Minister of Finance, summoned bankers to tell them that the Government was proposing to amend the Banking Act.

The amendments involve rationalising existing regulations and some moves to ensure a wider ownership of banks' share capital; they fall far short of any nationalisation of the banks' assets. But they have still to be carried through. In part the delay is because of the other massive problems facing the ministry of Finance — completing the rescheduling of Turkey's debt, pressing on with a severe austerity programme, and reaching an agreement with the International Monetary Fund.

Perhaps a more important reason for the delay, however, is pressure from the banking lobby. For over a decade this lobby has been largely responsible for the failure of successive governments to enact a legal framework for the operations of a capital market; the banks believe this would weaken their powers in this area. Furthermore, during the past two years the lobby has blocked a decree allowing the armed forces to set up their own bank. Arguably, the banks form the most important pressure group in the country.

Operation

Today 43 banks are in operation. Three of them—Denizcilik Bankasi (Maritime Bank), Etibank and Sumerbank—are mainly holding companies for the country's large State economic enterprises. Ten others are controlled by the State; these include two investment banks. The 30 private banks are made up of two small private investment banks, five foreign banks and the local commercial banks.

The State banks are of major importance. At the end of 1977 they accounted for 63.1 per cent of the credits given by all banks. The largest of the deposit-taking banks was the Agricultural Bank of Turkey (TCZB): in The Banker's 1978 table of world banks this ranked 170th. (Its actual position is slightly higher since end-1976 figures for the TCZB were being compared with end-1977 figures for other banks.)

Also of crucial importance is the State Investment Bank (DYB). This uses its funds exclusively to meet the financing requirements of Turkey's massive State economic enterprises. It raises its funds not from normal depositors but *from the social security organisations*, from compulsory deposits by other banks and from State and foreign borrowing. At the end of 1977 its credits accounted for TL 87.5bn out of total credits outstanding of TL 327bn, or 26.7 per cent. The two private development banks, however, only had TL 8.6bn credits outstanding at this date.

The private commercial banks account for just over one-third of the credits given. Far and away the largest is the Turkiye Is Bankasi, which ranked 185th on the Banker's table and had TL 42.6bn credits outstanding. Also important are the fast-growing Akbank and the Yapi ve Kredi Bankasi, both of which extended TL 19.5bn credit.

Foreign-owned banks no longer have the importance they once had. They account for a mere 1.7 per cent of credits outstanding. The largest is the Holantse Bank Uni, followed by the Ottoman Bank. At the end of 1977 a bank with Libyan and Kuwaiti participation, the Arab-Turkish Bank, opened its doors. While the Bank of America works through a small bank in which it has a shareholding, several other foreign banks have preferred to open "representative offices." These include Barclays Bank, Citicorp, and Wells Fargo.

Despite all the problems of the economy the financial sector has flourished in recent years. Its share of Gross National Product has risen, as has the degree of monetarisation of the economy. The banks' main problems has long ceased to be attracting hoarded savings from under the floor and the mattress. None the less, with Turkey a savings-deficit country, the problem of funding remains important for the banks.

The State banks have the advantage of being relatively favoured by public institutions. But the commercial banks have to compete with each other. Funding is one of the few operations in which competition between banks is evident, with a wide range of gimmicks evident and advertising being on a sufficient scale to buttress the whole public relations industry—and to mar the appearance of most towns.

Such advertisements and the large number of branches in operation are only part of the high costs evident in Turkish banking. Meeting these costs diverts funds from more productive uses but is perhaps inevitable given the extremely high profit margins available. At the end of 1976 the banks' weighted cost of liabilities and capital was 4.85 per cent while the weighted yield on assets was 10.1 per cent. The net spread was thus 5.25 per cent—some five times that obtained by many Western bankers.

The main sources of funds are deposits and central bank facilities. At the end of 1977 71 per cent of deposits were demand or had maturities of less than three months but in practice their volatility is less than this might seem to imply. The central bank window is more important for State banks than for private ones. Over the past 10 years credit lines from the central bank have on average accounted for 18 per cent of State bank funds but only 6.5 per cent of those of the commercial banks.

There is no active inter-bank market in the usual sense. The controversial Convertible Turkish Lira Deposit scheme—loans by foreign banks to Turkish banks whose foreign exchange risks were guaranteed by the central bank—proved a major incremental source of local currency for banks. However, the disastrous effects it had on Turkey's ability to raise medium-term funds abroad and on inflation mean that it is now being wound up.

The savings instruments offered by banks are limited to sight and time deposit accounts. The concept of negotiable certificates of deposit is as yet foreign to Turkey. Cheque accounts are widely available to corporations but far less so to individuals. The country thus remains largely a cash society. Attempts to introduce floating-yielding instruments such as travellers' cheques have had little success.

Central Bank figures show that in October 1977 the distribution of bank credits included as follows: production 40.3 per cent (of which industry 28.6 per cent); construction 8.2 per cent and distribution 29.5 per cent. Consumer loans are negligible and the banks are on the whole prohibited from issuing mortgages; nor do building societies exist.

Given the weakness of the formal capital market and the rudimentary nature of the country's stock exchange, the private sector has long had to turn to the banks for funding. However, the investment banks lending to the private sector are small and up to the previous decade the private sector was only able to obtain short-term finance. It was only in 196[illegible] that corporations started issuing bonds and only in 1973 that commercial banks were obliged to allocate 20 per cent of their *resources for medium-term fixed interest loans for industrial development.*

Conflicting

The commercial banks have long made use of the reliance of companies on them to involve themselves in the control of these companies. But at the same time a conflicting trend has emerged—that of the largest industrial groups obtaining control of large banks. The Sabanci group owns 80 per cent of the shares of the Akbank, Turkey's second largest commercial bank. The Koc group has a controlling share in the Turkiye Garanti Bankasi, the country's fifth commercial bank—and one in which the Sabanci brothers have a large minority interest.

This growing interdependence is increasingly criticised. The Turkish banking law sets strict limits on loans to any one customer yet, curiously, waives these limits if the bank owns more than 25 per cent of the organisation to which it is lending. This has become one of the most criticised aspects of present Turkish banking practice. Bankers say that although only 2 per cent of the total assets of banks are directly invested in the equity of industrial companies the banks' real exposure is much larger. One Minister has complained: "Large private family firms have started purchasing private banks in order to appropriate the savings of millions of individuals."

The central bank has little direct control over such matters. In practice it acts as an extension of the Ministry of Finance. *It applies the Government's* rather than its own monetary policy. Here qualitative controls have proved relatively ineffective, with graded interest rates having little success in directing credit to desired ends.

Qantitative controls too have had their problems. A restrictive credit policy has been hard to implement given the way that the banks' liquidiy has remained high as companies run down inventories in the continuing crisis. And the rapid inflation of recent years has increased the difficulties of meeting targets set for the money supply and the public sector deficit.

For the team from the International Monetary Fund which has been in Ankara this month these questions of economic management are crucial—as are those of bringing a balance between the ambitious growth targets set by the authorities and the funds available to finance this growth. Until such matters can be sorted out the pressure to give greater priority to reforming the banking law is inevitably reduced.

David Tonge

LATIN AMERICA'S GROSS INTERNATIONAL RESERVES

	$m End of 1975	1976	1977	1978	Growth rate 1975	1976	1977	1978
Latin America	18,633	23,511	28,211	33,242	2.8	26.3	20.0	17.8
Oil-exporting countries	10,054	10,275	10,605	9,210	35.0	2.2	3.2	−13.2
Bolivia	156	168	237	198	−19.4	7.7	41.1	−16.5
Ecuador	286	515	671	688	−18.4	80.1	30.3	2.5
Trinidad & Tobago	751	1,014	1,483	1,807	92.4	35.1	46.3	21.8
Venezuela	8,861	8,578	8,214	6,517	36.1	−3.2	−4.2	−20.7
Non-oil exporting countries	8,579	13,236	17,606	24,032	−20.6	54.3	33.0	36.5
Argentina	452	1,608	3,331	*4,936	65.6	255.8	107.2	48.2
Barbados	40	28	37	60	2.6	−30.0	32.1	62.2
Brazil	4,034	6,541	7,256	†10,304	23.5	62.1	10.9	42.0
Colombia	521	1,158	1,821	2,456	16.0	122.2	57.3	34.9
Costa Rica	51	98	193	197	14.8	92.2	96.9	2.1
Chile	109	460	484	1,154	7.1	322.0	5.2	138.4
El Salvador	127	205	233	291	29.0	61.4	13.7	24.9
Guatemala	304	511	690	765	50.4	68.1	35.0	10.9
Guyana	100	27	23	58	58.7	−73.0	−14.8	152.2
Haiti	13	28	34	‡45	−35.0	115.4	21.4	32.3
Honduras	97	131	180	*182	118.5	35.1	37.4	1.1
Jamaica	126	32	48	53	−34.0	−74.6	50.0	10.4
Mexico	1,533	1,253	1,723	†1,739	9.9	−18.3	37.5	1.0
Nicaragua	122	147	149	50	16.2	20.5	1.4	−66.4
Panama	34	79	71	150	−12.5	132.4	−10.0	111.3
Paraguay	115	158	268	466	31.9	37.4	69.6	73.9
Peru	467	330	421	566	−51.8	−29.3	27.6	34.4
Dominican Republic	116	127	185	159	27.9	9.5	45.7	−14.1
Uruguay	218	315	459	*401	6.0	44.5	45.7	−12.6

* Figures at end of November.
† Figures at end of October.
‡ Figures at end of August.
Source: International Monetary Fund, International Financial Statistics, March 1979.

LATIN AMERICA

Quest for funds

THE PAST year and a half has been kinder to the banker than to the trader in Latin America. Growth has slowed, barriers have been put up to Latin America's export and the balance of trade gap of the region has widened. Hampered in their efforts to trade their way in the world the Latin America tends to import, rose their way along.

In 1978, according to OECD statistics, the prices of manufactured goods, which Latin American tends to import, rose 14.5 per cent while world prices for commodities—excluding oil —which Latin America exports rose by only 5 per cent. It was no wonder then that the majority of the countries of the region saw their balance of payments deficit widening.

The trade gap allied to higher charges for debt servicing and bigger profit remittances to foreign investors meant that last year the region's balance of payment gap increased from about $10bn in 1977 to $14bn.

In order to bridge the gap the region had increasing recourse to foreign money. Some $20bn flowed into Latin America, some of it in the form of increased investment, most of it in the form of greater foreign borrowing. The Latin Americans did not find it too difficult to borrow, particularly on the Euromarkets, at a time when the demand for funds in the developed world was slack and there was a high level of liquidity in the banks of the richer countries. The increased liquidity and the narrowing margins for borrowers enabled most countries of the region to improve the terms on which they borrowed.

At the same time the increased debt burden assumed by the region has been giving rise to not a little anxiety. In the view of many economic experts in the region much of this debt has been assumed for frivolous purposes. The import of consumer goods and the strong trend among the more wealthy Latin Americans to ape the consumption patterns of the developed world starves the region of the capital it should be using on productive investment.

Such is the view, for instance, of Dr. Raul Prebisch, the creator of the Argentine Central Bank, the founder of the UN Economic Commission for Latin America and one of the most authoritative voices in the region.

Such a view is being echoed by voices which have up to now been more muted and optimistic. The latest report of the Inter-American Development Bank, for instance, comments, "The advantage accruing to Latin America from its increased entry to the world's capital markets should be safeguarded through a prudent management of external debt, not only to ensure prompt compliance with debt service commitments but also to assure the most effective use of borrowed funds for long-range economic and social development."

In a word Latin America must not be seen to be borrowing money which it wastes on sumptuary expenditure.

It would be unrealistic to expect the bankers themselves to refuse to respond to the call for more loans from abroad. The path towards more prudent borrowing must be indicated by governments. There is some indication, notably though not before time in Brazil, that this is in fact happening.

But in many countries governments are themselves made up of those very people who are most addicted to the sort of conspicuous consumption that Latin America can least afford. Whether they will want or be able to control Latin America's borrowing spree is a question which is still a long way from being answered satisfactorily.

Hugh O'Shaughnessy

WORLD BANKING XXXV

INDIA

Credit squeeze maintained

NEY SUPPLY and credit expanded less slowly ng the past year than in previous 12 months, but the erve Bank's Governor, Dr. . Patel, has already served ce that he means to screw n more the tight credit y which has been in force e the alarming and record in money supply by 20.3 cent in 1976-77. He has just ed up errant banks for eding the credit deposit pegged by him at 40 per . Many *defied* the guide- he imposed last November h limited the statutory dity ratio to 33 per cent ise by 1 per cent—and have refinance and rediscount lities withdrawn.

. Patel has made it clear he is not averse to taking with regard to credit. But as pointed to the ominous ease in money supply—ough the rate is running ess than 15 per cent this —and warned that econo- laws will have their way er or later. India was nate enough to record a zero inflation rate in 1978, probably the only country to do so, but Dr. Patel feels this was thanks to the use of record foreign exchange reserves (now around $7bn) and the buffer provided by the high foodgrain stocks (at present around 17m tonnes). *He prefers to be cautious* and this explains why he is coming down heavily on wayward banks.

Not everyone agrees with the Governor that the only risks permissible are those which will lead to increases in production and exports and to higher agricultural yields. These, he has said, are being permitted. What he has frowned on is that between March 31, 1978, and February 23, 1979, net scheduled bank credit to the commercial sector was higher by 17.3 per cent compared to the 7.6 per cent during the same period of 1977-78. This, says Dr. Patel, "cannot be justified in relation to increases in production." The commercial sector, which will be affected by the new curbs, has come out strongly. Its representatives accuse the Reserve Bank of following a "highly unrealistic and unimaginative" policy since the banks will have to withhold credit from their clients, with corresponding repercussions on the latter's operations.

It is generally conceded, however, that there has been a sharp increase in credit to the commercial sector (excluding the credit to the food sector, which is unavoidable since it finances the Government's procurement drive and agricultural prices' support policy). Since the Reserve Bank imposed its restrictions in November, the banks have virtually ignored its warnings by increasing credit by something like 20 per cent *more than deposits—on the face* of it a particularly brazen defiance of the Central Bank's authority. Yet there are some mitigating factors.

For instance, the functioning of the banks was disturbed by a particularly bitter unrest among bank employees for seven weeks in December and January. Inevitably, deposits slowed down and banks permitted their clients to draw large amounts of cash while their cheques awaited clearance. There is some evidence that credit expansion slowed down significantly after the agitation ended.

Furthermore, credit was needed to finance agricultural and related operations in the wake of a particularly poor summer harvest. Even if food credit is not taken into account, there were substantial commercial crops to be taken care of. For instance, cotton production was a record 7.2m bales while sugarcane production rose by nearly 18.3 per cent. Taken with the fact that industrial production registered a satisfactory *overall increase of 8 per cent in* 1978, credit expansion would seem to have gone genuinely to finance productive endeavour.

On the other hand, the Reserve Bank has been commended for not over-reacting to the credit expansion. In fact, all it has done is to penalise the really defiant banks and asked all to review credit limits of R5m and above. It has told them that wherever 60 or 65 per cent of the existing credit limits have been utilised, additional credit should be carefully scrutinised and related to clearly identifiable purposes. This seems to be a suitably cautious attitude at a time when the so-called "busy season" is at its busiest.

Moreover, this is being done at a time when money supply expansion is sizeable and when the new Deputy Prime Minister and Finance Minister, Mr. Charan Singh, in his first Budget has provided for a record deficit of more than R16bn. What the Reserve Bank and the Finance Ministry is doing is to check speculation *wherever possible and, at the* same time, taking calculated risks they consider necessary at a time when the economy is clearly favourably placed.

This is largely because of the substantial foreign exchange reserves and the excellent foodgrain stocks position, a position that should enable policy-makers to take more chances to achieve faster economic development than in the past. Yet there is clearly discernible a clash of thinking between the traditionalists who want caution and those who feel that it is possible to take "risks for growth." This is keeping both banks and the commercial sector *involved in a kind of guessing game*.

As some commentators have noted, the Indian banking system has been showing signs of "sickness" because of the monetary policies meant to curb credit and inflation on the one hand and the Government's attempts to achieve high economic growth on the other. Even the Deputy Governor of the Reserve Bank, Dr. K. S. Krishnaswamy, *has said that* "like everything else in the economy, commercial banks have become high-cost industries." The main elements of cost, he says, are interest paid on deposits and borrowings, and salaries paid to the staff. The former is controlled by the Reserve Bank and the Government and the latter depends on the general labour relations situation. But there are many policy reasons for the increase in costs.

As the authorities themselves say, the banks need to build up sizeable funds and reserves to take care of bad and doubtful debts, but this is becoming difficult because of the recent heavy budgetary levies that are bound to raise their costs and the other operations they are called upon to carry out. Says Dr. Krishnaswamy: "The point is that, one way or another, banks are left with very little surplus to provide for reserves for bad and doubtful debts. And as the reports on banks' inspections show, there are many private sector banks (and a few public sector banks) which have hardly any reserves left. Some of these are in serious danger of erosion of their capital base and it is necessary that urgent steps are taken to shore them up."

Yet the banks are being saddled with more and more socio-economic tasks. Mr. Charan Singh is credited with the view that even the Reserve Bank should join in the task of providing funds for the rural sector. There is now some thinking along the lines that steps should be taken towards integrating the total structure for financing the development of agriculture and rural sectors from ground level right up to creation of an agricultural development bank at the apex. If the Reserve Bank is given this function also, as some are suggesting, it will have a split personality — calling on the one hand for funds for the Government's socio-economic objectives and keeping its traditional and watchful eye on credit and money supply on the other.

K. K. Sharma

PAKISTAN

Support for industry

re the nationalisation of anking industry in Pakistan nuary, 1974, there were 13 ing companies of local n, eight of foreign origin nine of Indian origin. The rnment took over all the ing units of local origin h were entirely in the ite sector. This act of nalisation was different the takeovers as effected her industrial concerns. the case of banking sector, ldition to the management nsibilities, all the shares taken over by the Central rnment which assured, g other things, the security posits.

banking unit of foreign was nationalised. The banks of Indian origin cond to be under the control he Custodian of Enemy erty, a body created after September, 1965, war. e 13 separate private sector ing companies were merged orm five scheduled comial banks. Now, in addition ese five scheduled banks, are four other agencies operating with the status of heduled bank, such as the strial Development Bank of stan, the Agricultural lopment Bank of Pakistan, so on.

the end of June, 1978, were 11 foreign banks ating in the country, only of which, Bank of Oman, esented Middle East ests.

March, 1979, two other s representing Middle East ests had been allowed to branches in the country. nine banks of Indian n continue to be managed the Custodian of Enemy Property.

After the Pakistani banks were nationalised, an agency called Pakistan Banking Council (PBC) was created to oversee their administration and to coordinate their activities.

The PBC can at best be described as an administrative body since the regulatory functions continue to be exercised by the State Bank of Pakistan, which is the central bank of the country. It is generally concluded that the PBC at best performs the functions of an attached department of the Ministry of Finance.

Important functions such as the determination of the bank rate, regulation of the exchange policies, allotment of credit ceilings and the inspection of branches are functions which continue to be exercised by the State Bank of Pakistan.

The creation of the PBC has undoubtedly resulted in some duplication of the work done by the State Bank of Pakistan. The overlapping of certain functions in certain limited spheres thus affects the overall efficiency of the banking sector. The Government, nevertheless, has decided to continue with the PBC on considerations of the routine functions it discharges which otherwise would have been the responsibility of the Ministry of Finance.

From what has been stated so far, two conclusions follow. First, that the banking sector is neither entirely in the private sector nor in the public sector but that ownership is on a mixed basis.

Secondly, the authority of the State Bank of Pakistan relative to the banking industry is still supreme. It may be noted here that the foreign banks operating in the country are entirely out of the purview of the PBC; they are under the control of the State Bank of Pakistan.

Similarly, the financial institutions noted above with the status of a scheduled bank also act under the supervision of the State Bank of Pakistan only and the PBC can exercise no authority on them of any nature—so is the case with the scheduled banks of Indian origin.

As noted already, 13 banks of foreign origin—excluding those of Indian origin—were operating *in Pakistan at the end of March*, 1979. No limitations are imposed on their operations except that they should follow the country's exchange regulations. Despite full independence granted to them, their impact has been fairly limited.

At the end of 1978, the share of the foreign banks in total deposits of Rs 53.1bn was only about 8 per cent. Their share in total credits of about Rs 34.5bn was under *7.5 per cent*.

Major financings around $100-200m have been provided by the foreign banks singly or in a consortium for large public/private sector undertakings in Pakistan generally in the fields of oil exploration and fertiliser industries.

The banking industry in Pakistan has of late offered a variety of savings schemes to mobilise domestic savings. The *total savings generated by it is* infinitely greater than mobilisation of savings by other Government sponsored schemes.

Nevertheless, the banks do face some competition from the Government sponsored savings schemes. Two of these are notable: the Khas Deposit Certificates and the Deposit Savings of the Post Office. The Khas Deposit Certificate offers an annual return of 11 per cent payable twice in a year. The Deposit Savings Scheme offered by the Post Office savings account offer a return of 8.5 per cent.

The return offered by the *Khas Deposit Certificates is* greater than the Fixed Deposit return of one year maturity by the scheduled banks at 10 per cent. The return on savings accounts by the scheduled banks at 6.5 per cent is also considerably lower than the return of 8.5 per cent offered by the Post Office. The convenience, however, with which deposits can be credited and withdrawn from a scheduled bank still makes it a more attractive investment outlet. This explains why the scheduled banks have always been in a position to generate greater savings.

The Habib Bank is by far the largest bank in the country with deposits of *over Rs 20bn* at the end of 1978. It is followed by deposits of around Rs 15bn by the two other top banks, i.e. the National Bank of Pakistan and the United Bank. Even the Habib Bank does not rate as *one of the biggest in the world* and at the end of 1977 was numbered 441 in the world's top 500 banks.

Iqbal Mirza

COMECON

Sights lowered

AS THE Soviet Union and its Comecon partners move closer to the end of the current five-year plan period they are all having to face up to the fact that plan targets will not be fulfilled and that sights will have to be lowered still further in the 1980s.

Contingent factors, like the particularly hard winter, badly affected economic activity in a wide swathe running from East Germany through Poland to the Soviet Union itself, but the underlying causes of the slowdown are deeply rooted in a series of structural weaknesses. These include the debilitating effect of massive Soviet arms expenditure, a slowdown in population growth, a relatively low level of technological innovation and a deterioration in the general terms of trade, especially for non-Soviet countries without indigenous oil and gas.

Quotas and other restrictions on access to Western markets have also blunted the export drive of several Comecon countries although some, like Poland and Hungary, have chalked up impressive gains in their exports to the U.S. market where they have taken advantage of opportunities opened up by the granting of most favoured nation status.

These long-term trends are of considerable importance to Western bankers. A slow down in growth and East-West trade is likely to lead to a slower and more cautious build-up of debt than hitherto.

Statistics differ widely according to source and definition of debt but the latest BIS figures up to end-September last show that bank borrowing by East European countries, exclusive of lending by West German banks to East Germany rose sharply to \$46.1bn, compared with only \$26.7bn in 1976.

At the same time deposits with Western banks also rose from \$6.1bn to \$9.4bn, a figure which reflects a growing sophistication in money management by the foreign branches of Comecon banks.

The total debt, which includes Government credits, credits granted by international financial institutions and other bodies, is of course much higher, and reliably estimated by various U.S. banking sources as in excess of \$60bn. Mr. Janos Fekete, vice-president in charge of international operations at the Hungarian National Bank, gave an authoritative East European view of the debt question in a lecture given at the Europaisches Forum at Alpach last year. Basing himself on U.S. statistics he compared the combined 1976 Gross National Product (GNP) of Comecon countries, some \$1,249bn, with total 1976 indebtedness of some \$43bn, giving a debt ratio of 3.5 per cent of GNP.

Using the same basis he pointed out that the combined GNP of Brazil, Mexico and Argentina was a mere \$256bn, while their total indebtedness amounted to \$58.3bn, or 23 per cent of GNP. In the same speech he also criticised the Western banks' habit of defining the debt ratio only as a proportion of convertible currency exports.

Mr. Fekete's belief in the mutually advantageous aspects of close financial co-operation and foreign borrowing is reflected in three major borrowing operations by the Hungarian National Bank over the past 12 months which raised a total of \$900m.

Having shaved margins to the bone in both the \$300m issues raised through Continental Illinois and Morgan Grenfell respectively, the Hungarians then went on to tempt hitherto reluctant U.S. banks to return to Comecon lending by a novel formula linking the spread to the U.S. prime rate rather than the traditional Libor. On this basis American banks led by Manufacturers Hanover agreed to lend \$300m for seven years on a differential ranging from half and five-eighths over U.S. prime.

U.S. banks also played a major role in raising \$550m for Poland, the East European country, deepest in debt. Poland had to pay fairly heavy management and other front end charges and a split spread of 1¼ per cent for two years and 1⅜ per cent for five years. But oversubscription of the Polish loan, coupled with tough action to damp down the Polish economy and boost exports, helped to calm some of the apprehension felt earlier about the size of the Polish debt. Poland also managed to obtain a \$500m grain credit from the U.S.

In general, however, the bulk of bank lending was undertaken by European banks, although Japanese banks and export credits are playing a steadily growing role. Japanese banks have also been prepared to lend on finer margins than U.S. and some European banks have been willing to accept.

Obtaining fine margins has been a major aim of Comecon borrowers over the past year. The degree of success can be gauged from OECD figures showing that the average spread on Comecon loans fell to 0.73 per cent last year from 1.05 per cent in 1977, while the average spread throughout the market stood at 0.87 per cent.

Apart from dislike of the current slim margins Western bankers as a whole are not showing any great reluctanc lend to the Comecon borro or demonstrating any great occupation about the fu This is in spite of warning the Brookings Institution others that several Com borrowers might face the to reschedule their debt in not too distant future and jections of a total Com debt of around \$200bn by quoted by the Vienna-b Institute of East-West C parative Economics.

If anything, the gre signs of nervousness are com from the borrowers themsel who were more than willin borrow heavily from the W to finance imports of high t nology equipment and o aids to modernisation in early and mid-1970s. They now less confident of t ability to earn hard curre through exports. Some, Poland, have spent more t planned on imported food consumer items and most face the prospect of infla fuel import bills in the 19 on top of their substantial d servicing obligations.

Under these circumstan there are signs that East-W trade is slowing down, wh greater efforts are being m to increase intra-Comecon tr and build up an export surp with the developing countr to counterbalance the stubb deficit on East-West tra

Meanwhile, projections future Comecon grain a energy imports and the ne for continuing inputs of We ern technology seem bound ensure that Comecon deman for export credits, Eu currency loans as well shorter term bank borrowi and deposit activity will co tinue, albeit at a lower ra than before.

Anthony Robinso
East European Corresponde

YUGOSLAVIA

Looking to the West

BELGRADE'S MAGNIFICENT new conference centre on the banks of the River Sava will briefly hold the centre of the world financial stage this September when Yugoslavia plays host to the annual meeting of the World Bank and the International Monetary Fund.

Yugoslavia's own links with the international financial community have developed strongly in recent years as the country has engaged in an ambitious development plan involving substantial foreign borrowing from banks and international financial institutions. It would be surprising if the Yugoslav authorities did not take discreet advantage of the presence of the Western world's key banking and financial figures to improve these links during the twin meetings.

The whole banking system was radically reformed under the terms of the new 1974 constitution and related laws. The aim of the reform was to link the banks more directly to the self-managing enterprises and reduce their autonomous power. But for all the virtues and originality of the self-management system the economy overall is showing clear signs of overheating and the banks do not appear to have had much success in pursuading enterprises to tailor their expansion plans to the resources available.

This is reflected in over-investment and duplication of investment which has contributed to a sharp rise in the inflation rate, currently running in excess of 20 per cent. This has led to a sucking in of imports and export stagnation. In an effort to cool the economy the Federal Government recently imposed tougher terms for the hire purchase of cars and consumer durables and also introduced petrol rationing and raised petrol prices in an attempt to cut back on the rapid rise in oil imports.

The monetary authorities are also operating a "monetary corset" and further controls on bank credit are expected to be announced by the central bank shortly.

Under the Yugoslav system Yugoslav banks no longer hold any funds of their own but are essentially providers of financial services and expertise to the self-managing enterprises, which are both "shareholders" in their capacity of depositors and borrowers at the same time.

It is the bank's function to borrow funds at home or abroad only if they are mandated to do so for specific purposes by the enterprises which collectively control the bank and deposit their funds with it. They are supposed to cover their costs by charging commissions, determined annually by the meeting of bank members, on the principle that it is no use charging high interest rates to member-borrowers on a marke basis because any profit fro higher interest rates would i any case have to be returned t the borrower as a member of th bank.

In practice the ideologica intention of reducing the econ mic and therefore politica power of the banks has co tributed to keeping the pric of credit artificially low. This reflected in the fact th although many Yugoslav ente prises complain bitterly abo the high cost of credit th average cost last year was on 7.27 per cent while inflation w around 14 per cent. At th same time banks paid average 7.5 per cent on sig deposits and 9 to 10 per ce for time deposits.

The consequence of chea credit, however, is that se managing enterprises have be encouraged to apply for cre both to bolster up their ow inadequate cash flows and finance investment projects doubtful economic viability.

The banks have also come for criticism in their metho of raising funds abroad. Unli the Comecon banks, which a State banks enjoying a mon poly situation and having t creditworthiness of the enti State behind them, there ha been cases in the past whe Yugoslav banks have come to the market in an unc ordinated fashion and arguab been obliged to pay high spreads than would otherwi be the case. Greater efforts a now being made, however, co-ordinate and rationali foreign borrowing and also take advantage of prese market conditions to restr ture part of the existing de contracted when spreads in t market generally were sign cantly wider.

A top level delegation Yugoslav bankers visited Lond in April to improve conta with the City and size up t possibilities of future borrowi and debt re-structuring. Th would be a complicated ope tion given the small patchwo nature of the bulk of Yugosl past borrowing and forei banks were unenthusiastic, say the least, about the prospe

Total foreign debt is n around \$11bn and the avera maturity around 5.7 years. De servicing is at a manageable per cent of total forei exchange earnings and reserv are around \$3bn.

Yugoslavia will clearly ne further borrowing to finan major projects like the Dow-I petrochemical complex, a other industrial and infrastru ture projects as well as t reconstruction of earthqua damaged Montenegro.

Aleksandar Le
Belgrade Corresponde

The jostling to call the tune on ITV 2

BY ARTHUR SANDLES

JE OF Britain's big five com- 'rcial television companies is week rented a private room Leith's, a much praised, ndon restaurant that tends to ract the better heeled and re discriminating of the pital's diners. A selected oup dined on roast duck and e wines along with a still re carefully chosen group of porate executives. It would e a cynic to suggest that s low-key, but presumably low-priced, event might e something to do with fact that the television npanies have started their n up to bidding for new con- cts, and that the jockeying power in ITV 2 is by no ans over.

lthough the Government has d that it intends placing the rth television channel under umbrella of the Indepen- nt Broadcasting Authority, has not been made clear at form the channel is going take. The present ITV com- nies are already beginning to w signs of alarm that their parent victory in snatching from the Labour-favoured en Broadcasting Authority y not be as complete as ght first be assumed.

ltimate control

The award of TV 4 (a title ich the IBA itself still 'ours) to the Independent levision Authority in itself es little more than say that present TV companies will d its early stages, and that its enue from then on will come m advertising. How it is to run and who has ultimate ntrol is still very much the ject of argument. At the ment most of the talking ms to be taking place between Brian Young, Director General of the IBA, and a man whose enthusiasm for programme balance sometimes goes too far for the contractors, and Mr. William Whitelaw, the Home Secretary.

Mr. Whitelaw's position is in itself interesting. Unlike all his predecessors he shows no signs of delegating broadcasting to a junior colleague. His interest in the subject is deep and his knowledge extensive. All the major decisions will be his.

At the moment a quick feel of the broadcasting pulse seems to indicate that while the BBC might consider itself to have the ear of the Home Secretary, ITV is less confident of its position. The commercial contractors are worried that in an effort to ensure that there is some room on the new channel for people who are not themselves contractors, the Government will give too much power to independents. Thus, he who was paying the piper would not be calling the tune.

The concern of the companies must have been part of the reason for the comments of Mr. Colin Shaw, director of the IBA's television division, a few days ago when he sought to quell some of the ITV doubts whether the authority was batting hard on their behalf.

Mr. Shaw made some placatory noises towards the lobby which says that independent producers should be given more power on the fourth channel, be they truly independent individuals who have skill and ideas, or commercially orientated production houses. "Ways need to be found in which each can make an appropriate contribution to the new service, just as indeed, each now makes some contribution to the existing channels."

But he went on to pour very cold water indeed on any thoughts that the IBA might countenance a system which gave non-ITV companies or individuals a major voice in the running of the new operation. "Keeping the screen alight for many hours a week calls for a regular provision of programmes which in turn calls for resources and organisation which are hardly compatible with 'independence' in the way in which that term has often being used recently."

"So the new channel, while it must welcome the contribution of the independent producers and ensure that they play their part in the scheduling of the service, will have need of the programme companies for what the Authority sees as a substantial contribution."

Mr. Jeremy Isaacs (left), a possible programme controller for the new channel, and Sir Brian Young, Director General of the IBA.

It would seem, therefore, that the IBA and its franchise-holding contractors are talking in broadly similar terms. But the next question that the companies want to see answered is about the degree to which they will actually have control over what goes out and when—even if most of that material is produced in their own studios. There is no doubt that the IBA, and the Government, want to see an ITV 2 which is complementary to ITV 1 in much the same way as the BBC channels work together, although both ITV and the IBA have said they do not want it to have the same mood as BBC 2.

According to Mr. Shaw, the ITV companies deserve "complementarity" (this word not mine) between the schedules of their present channel and any new one. He also believes that advertising should be in the hands of the same companies, since competition for advertising "would inevitably mean competition between programmes and therefore the destruction of that complementarity, and with it of choice, which has lain at the heart of the IBA's proposals for a second channel since the beginning."

This deals with the basic fear of many people who see the award of the fourth television channel to commercial interests as a move to raise the spectre of American-style television with its fierce competition for peak-time ratings. This would be a battle from which the BBC could scarcely stand apart.

Nonetheless, it is all very well to talk of a complementary system, and quite another thing to put it into practice. The vital issue in the setting up of ITV 2 is the question of its day-to-day control. There is a strong body of opinion which suggests that the present ITV organisation should have no more than a half-say on the management board.

It is unlikely that this view will get very far with either the IBA or Government, but there is sympathy for the view that control should not rest with the "Big Five"—Thames, ATV, London Weekend, Granada and Yorkshire—who between them dominate the present ITV set-up. Much will depend on whether it is the IBA or Government which sets up the management board, and whether the Bill itself spells out the way in which it is to be constituted. Much will also depend on whether the new channel will have its own powerful programme controller with sufficient backing to do battle with the five majors if he feels there is a conflict of interest.

Lively one

At the moment the most-tipped man for this task is Jeremy Isaacs, the television producer who for a long time held the key role in programming at Thames Television and then left to "do his own thing," a move which came not long after Mr. Bryan Cowgill joined Thames as managing director from the BBC. There is no question that if the job had the necessary powers attached, and Isaacs were to take it, the relationship between ITV 1 and ITV 2 would be a lively one.

At the moment the IBA sees the fourth channel as being on the air for 50 hours a week, and considers that the programmes it presents should be national, rather than regional. This, for a start, might present an interesting clash since there will be times of the day when regional companies will be putting out their own local programmes on ITV 1 in competition with national programmes on ITV 2, which might well have a higher budget.

This is but one aspect of the whole problem of relationships between a regional company and the new channel. If the company is to sell advertising but not directly control programmes, what happens when someone wishes to buy time and there is such time available both on ITV 1 and ITV 2? Which would the salesman offer? Is a local company to be charged a fee for the ITV 2 service according to the size of its audience, company profitability, or skill at selling time? What happens if ITV 2's schedules happen to be disrupting a programme which has long proved popular in a particular region?

In broad terms, the current IBA thinking is that the present ITV system should pay for the setting-up of the new network (companies bidding for the new contracts for ITV 1 will be required to answer questions and make proposals for ITV 2 as well). After that, revenue will be collected locally and the ITV service bought from its central distribution point. The scheduling committee would itself buy programmes from the open market but, as we have seen, would be required to do most of that buying from the present network companies.

One of the interesting aspects of all this is the role to be played in ITV 2 by Independent Television News. ITN is jointly owned by the TV contractors but is kept firmly in place by them. Its feature programme-making capacity is considerable but its ability to enter that area is restricted by local programme controllers, who much prefer to give documentary work to their own companies than to ITN. The IBA admits that ITN has surplus capacity and says that the idea of a nightly news back-up programme on ITV 2 is only one idea and "by no means the only one and by no means the most imaginative."

News area

With some programme documentary departments already feeling themselves to be under-exposed, it is hardly likely that there will be great universal enthusiasm for ITN taking a major role on ITV 2 outside of the traditional news area.

Above all, everyone expects the first few months of the new channel, whatever form is planned for it, to be a period of change and perhaps disorganisation. The memory of the first days of BBC 2 is still fresh. Of course, the IBA says such change is planned. "A television channel is not a fixed object: it is organic, changing shape, altering direction, according to those who contribute to it, according to the way it is financed, according to the expectations of the audiences which it services."

Thus, although the IBA is to be the guiding force in Britain's fourth channel, there is a great deal of small print waiting to be written into the contract. And that is why many a lobbyist is waiting on the doorstep of Mr. William Whitelaw, and why pleasant dinners are being given in gourmet London restaurants.

Letters to the Editor

Paying for the top jobs

om Mr. H. Jones
Sir.—Your second leader, aying for the top jobs" ine 8), contains some ques- nable cliches and ignoble timents which degrade your uments.
"Politics of envy" is a servative election tag which been alternately postulated 'free collective bargaining" "standing on your own two
"Egalitarian mediocrity" is unnecessary and cruel swipe the aspirations of those who pe vainly for a fair crack of whip. Have you any dence to suggest that all se who lose financially on oming MPs are able in the iso of attaining their posi- ns through the unaided and connected strength of their n abilities? Are you suggest- that bricklayers are never le? Have you tried brick- ing?
Can you seriously justify your sertion concerning the grow- shortage of doctors without the same time pointing out at the profession has delibe- tely restricted the supply?
erbert Jones,
aterne Cottage,
Mallory Road, Hove, Sussex.

Civil Service recruitment

rom Mr. J. Baker White
Sir.—In view of the Govern- ent's decision to halt, at any te for the time being, recruit- ent for the Government and cal authority services, and the evitable outcry at this deci- on, the following official gures seem to be relevant.
Percentage of UK employed bour force employed by:—

	Central government	Local authorities
963	5.4	8.1
973	6.6	11.6
977	8.0	12.1

The number of local govern- ent employees in England and ales has risen from 1,532,000 1960 to 2,568,000 in 1978.
ohn Baker White.
treet End Place,
treet End,
anterbury, Kent.

Pig industry in decline

rom the Chairman,
J. Walshaw (Farmers)
Sir,—Further to John Cher- ington's article of June 1 and on behalf of the nation's pig pro- ducers, not perhaps the least efficient body of people in the country, I would appreciate some indication from our new Minister of Agriculture on the Govern- ment's intentions regarding their future.

The last Government saw fit to allow the whole pig industry to be brought to its knees and enabled our competitors from overseas to make vast inroads into our vulnerable market.

The unjust advantages that our competitors from overseas have, by way of monetary compensatory amounts and green pound subsidies, pale almost to insignificance when compared to the climate in which business and confidence can be expected to prosper.

Our meat processing industry is contracting at an alarming rate and the chances of investment in the industry must be virtually nil. What manner of man would contemplate investing money today in any labour intensive British industry? Have not the returns on investment been too little for too long in the industry as a whole to permit a buoyant and prosperous industry?

Help from the Government at some stage is inevitable. Either it will create a climate in which confidence is restored, help consumers long term by preventing the downfall of the pig production and processing industry or having sacrificed home production, it will have to protect the consumers. Let there be no misunderstanding. British consumers can expect the same sympathy from our foreign suppliers that we producers have experienced.

P. M. Walshaw.
Westwinds Farm, Swanland,
N. Ferriby, E. Yorkshire.

Oil, the dollar and profligacy

From Mr. D. Williams
Sir,—Oil-consuming nations currently discomfited by the U.S. administration's $5 subsidy to imports of middle distillates are the same nations which six months previously participated in massive support operations for the U.S. $. Should we all contribute to finance American prodigacy? Or should the currency operation not be put into reverse?

A multilaterally weaker U.S. $ would either reduce the costs of oil imports to all non-U.S. users or provoke a compensating rise in the U.S. $ price of oil. This would not impact on the strong currency economies but would precipitate conservation where required—in the U.S.

David H. Williams.
4, Gordon Avenue,
Netherlee, Glasgow.

Transport policies

From Mr. W. Eyres
Sir,—It is a matter for regret, as Dr. Taitz says in his letter of June 6, that the Minister of Transport has abandoned what appeared to be an administratively simple way of reducing the taxation of the lower mileage car driver. The scheme can hardly be said to have had unfair implications for rural car owners, given the higher rate of fuel consumption in crowded towns and cities.

The alternative idea of taxing vehicles according to engine size seems likely to encounter overriding industrial objections as it has done before.

W. R. Eyres.
27, Grove Terrace,
NW5

Radical methods

From Mr. P. Warner
Sir.—I was greatly encouraged to see the letter from Mr. N. Muir (June 7) expressing his concern over the energy wasted in this country. I would like to put forward two other ways in which energy could usefully be saved in this country.

A much larger proportion of haulage should be transferred to the railway system. If British Rail could develop a more efficient system a large amount of goods entering our ports could be moved much closer to their destination by rail. This would not only conserve oil directly but it would also reduce the wear and tear on our roads which need derivatives of oil for repair.

If farmers were to stop using inorganic fertilisers and return to biology farming, there would be an enormous saving to our energy bill. There is a common misconception that "biological" or "organic" farming is less productive than what has now became conventional farming. There has been a lot of research which shows that in most cases it is equally productive and in some cases more so.

Both these forms of energy saving have considerable environmental implications. Pollution fumes of lorry engines and the ending of farming which destroys the soil as a living organism which will eventually make it totally unproductive.

With the ever-increasing cost of energy it must be time for the Government to consider more radical methods of saving energy than motorists driving slower or other methods in the "Save it" campaign.

Paul R. Warner.
Rosebery,
38, Kensington Gardens,
Bath, Avon.

Gentle driving saves energy

From Mr R. Albinson.
Sir,—I agree with the views of Mr. D. Griew (June 2), but would add that well over 40 years of motoring has convinced me that the most important factor is the way in which a car is driven. On average the owner driver who services his own car is far more likely to drive what the AA call "defensively," and avoid the kind of comparatively superficial damage that careless driving involves, and which is so expensive to repair.

Generally a driver will be kinder to his own machine—if all cars were owner-driven, on a mileage reimbursement basis for business use, we could probably go half way to making good the present 10 per cent petrol deficiency. Gentle, not necessarily slow, driving is less energy-consuming.

Roy Albinson.
Courtlands, Mayfield Lane,
Wadhurst, Sussex.

Taking the strain

From Mr. R. Foster
Sir,—Depending upon rolling stock used, a diesel train does between one and five miles to the gallon, and has a seating capacity of between approximately 100 and 600. An average car on the other hand covers about 30 miles to the gallon, has a capacity of five and an occupancy of under two. In these circumstances it is a chronic state of affairs that the Government does not provide sufficient fuel to allow the railways to run a normal service.

British Rail on the other hand is making the most of the situation by announcing that some diesel trains will be cancelled and that there will be overcrowding on others. This will strengthen its case for further electrification. By comparison with other European railway systems, British Rail is hopelessly under-electrified and further electrification is highly desirable. It seems a shame that passengers, who are to suffer over-crowding, and, as appears likely, also higher fares, are the puppets in a British Rail against Government struggle.

Robert H. Foster.
3 High Street,
Skipton, Yorks.

Inflation and pensions

From Mrs. H. Derrick
Sir,—Mr. Kendall's humanitarian approach (June 4) is to be applauded when he says that it is reasonable for the purchasing power of the pensions of policemen, nurses and other public servants to be maintained "to avoid pensioners slowly falling into hardship by the ravages of inflation." It is to be hoped his compassion extends to production managers, engineers, secretaries, etc., in the private sector for they, too, are but human and have to eat; moreover they spent their lives producing the wealth to support the public sector.

Pensioners in the private sector are already "falling into hardship." (A pension of £500 a year in 1971 is now worth £175—likewise £5,000, representing luxury in 1971, is now worth £1,750.) Why can they not be compensated from the same public purse? This would be very easy to do if inflation were taken into account as an allowance against income tax and paid as a rebate if necessary.

(Mrs.) H. M. Derrick.
The Chance, Randwick,
Stroud, Glos.

Works of art and tax

From Mr. G. Levy
Sir,—I congratulate Mr. Hugh Leggatt (May 31) and Mr. Denis Mahon (June 4) for exposing so clearly the muddled thinking of the Treasury and the hanky-panky of the former Government with regard to their foolish policy of attempting to do away with the long-established custom of accepting works of art in lieu of tax.

The fact is that according to last year's figures the Exchequer would only be refraining from raising some £2m from the sale of heritage works of art, the value of which to our country cannot be reckoned in purely financial terms.

It is indeed a shocking indictment of the Treasury that any official should ever have opposed so civilised an idea and it would be culpable in the extreme if a change of heart were not now to occur and indeed be seen to occur in accordance with the enlightened lead given by Mr. Norman St. John Stevas, the new Minister for the Arts.

George J. Levy.
H. Blairman and Sons,
119 Mount Street, W.1.

Today's Events

GENERAL

U.K.: European Parliament direct election results.

Mr. Len Murray, general secretary, Trades Union Congress, at Institute of Practitioners in Advertising meeting, Selfridge Hotel, WC1, 1 p.m.

One-day strike by design engineers at BL Cars.

Construction unions and employers meet again after decision by three of the industry's four unions to reject pay offer.

Civil Service union leaders meet Sir John Herbecq, Second Permanent Secretary in the Civil Service Department, to discuss proposed staff cuts.

Sir Kenneth Cork, Lord Mayor of London, attends International Monetary Conference dinner, Mansion House, 7.30 p.m.

Prince Charles, as president of the Friends of Covent Garden, attends council meeting of Royal Opera House, Covent Garden, 3.45 p.m.

Overseas: European Central Bankers annual meeting, Basle.

Second day of visit by Indian Prime Minister Morarji Dasai to Moscow.

OFFICIAL STATISTICS

Department of Trade—provisional retail sales figures for May. Department of Industry—provisional wholesale price index numbers for May. Treasury—Central Government transactions (including borrowing requirement) during May.

PARLIAMENT BUSINESS

House of Commons resumes after recess: Government statement on fuel crisis by Mr. David Howell, Energy Secretary.

COMPANY RESULTS

Final dividends: Ariel Industries, Associated British Foods, Caffyns, Dominion and General Trust, Dundonian, Metal Box. Interim dividends: Arthur Lee, U.S. and General Trust.

COMPANY MEETINGS

See Week's Financial Diary on Page 20.

UK COMPANY NEWS

Anglo-Indonesian lower but outlook encouraging

PRE-TAX profits of Anglo-Indonesian Corporation, tea and rubber concern, fell from a record £1.31m to £943,555 for 1978.

Mr. Michael Nightingale, chairman, says the fall is attributable to reduced tea prices; hailstorms which devastated the group's tea in Kenya, and to the 50 per cent devaluation of the Indonesian rupiah in November of last year.

He adds, however, that crops are satisfactory for the current year: tea prices have now stabilised and rubber prices have improved.

"Prospects from our business in the UK and Sri Lanka look encouraging for 1979," he states.

After the year's tax of £304,877, against £578,295, earnings are shown as 12.31p per 25p share compared with 15.32p. The dividend is increased from 2.75p net to 3.025p, payable on August 30.

	1978 £	1977 £
Trading profit	478,475	818,709
Group share of Assoc. Company's profit	465,080	495,400
Profit before tax	943,555	1,314,109
Taxation	304,877	578,295
Profit after tax	638,678	735,814
Minority interests	102,991	103,257
Attributable	535,687	632,557
Dividend	138,385	125,805
Retained	397,302	506,752

The accounts show borrowings of £33.6m compared with the limit of £67.2m. The group proposes to increase the limit to £89.6m. This increased power is for trade beyond 1979/80.

Meeting, Tower Hotel, E, June 23 at noon.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Hamlroy, Sidlaw Industries.
Finals—Ariel Industries, Associated British Foods, Caffyns, Metal Box, Property and Reversionary Investment.

FUTURE DATES

Interims:—

Bensfords	July 17
Flexello Castors and Wheels	Jun 20
Greenfields Leisure	Jun 26
Hardys and Hansons	Jun 27
Record Ridgway	Jun 19

Finals:—

Alpine Soft Drinks	Jun 14
Elswick-Hopper	Jun 14
Geers Gross	Jun 15
International Timber	Jun 13
M.K. Electric	Jun 27
Northern Securities Trust	Jun 20
Radiant Metal Finishing	Aug 10
West Bromwich Spring	Jun 13

Charles Hill confident of recovery

AFTER REPORTING a turnround from £157,535 profit to a pre-tax loss of £740,336 for 1978, the directors of Charles Hill of Bristol are confident that the group will return to profitable trading in the near future.

Mr. Richard Hill, the chairman, says in his annual statement that resources have been sufficient to cope with problems to date and the group has adequate working capital available. However, it is considering selling some of the land bought for development and which is surplus to requirements.

As already known, a net final dividend of 2p is to be paid for 1978, which compares with a 7.26p total in the previous year.

A statement of source and application of funds shows net liquid funds were down £355,000 in 1978, against an £848,000 increase a year earlier.

Meeting, Bristol, June 29, 11 am.

Expansion plans at Lesney

The range of Lesney Products and Co. is now stronger than ever and production resources have never been better, Mr. P. M. Tapscott, chairman, says in his annual statement.

The acquisition of a 70,000 sq. ft. factory at Harold Hill to increase UK output, plans for worldwide sales of the AMT range of truck and car kits, and the benefit of heavy investment are among ingredients for a much better profit performance this year.

"There is thus much in the company's favour which should result in a better trading year," the chairman says.

In 1978/79, profits of the toy and industrial diecasting group fell from £9.51m to £5.12m. The chairman says that, internationally, there was a significant under-recovery of overheads. UK output was hit by the transport strike and bad weather.

Costs were over budget in North America, while the weakness of the U.S. and Canadian dollar also had an adverse effect. The Japanese company faced stiff competition and traded at a loss, and in Europe profit objectives were not met in every case.

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 22.6.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	11¼	11½	11¾	11¾	12	12¼	12¼	12¼

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

Favourable trend at Siemssen

DESPITE disruptions caused by the road haulage strike last January, Siemssen Hunter, tobacco and publishing group, as a whole has started the current year well and there are good indications that the final outcome for 1979 will be satisfactory, Mr. Roy Siemssen, chairman, tells members.

As reported on April 25, taxable profits for 1978 advanced from £814,000 to a record £1.12m on turnover virtually doubled at £28.3m, against £14.9m.

Hunters and Frankau, the cigar importing subsidiary, had an excellent year with an overall increase in turnover of 20 per cent, the chairman states.

Seymour Press, which was acquired at the beginning of 1978, strengthened its position as the leading independent magazine and periodical distributor in the UK. And an encouraging improvement in the sales and profits of Autobooks was seen towards the end of 1978. A return to the previous level of profitability is confidently predicted, says Mr. Siemssen.

The EP Group subsidiary, although having a disappointing year in its book division, saw continued expansion in the area of sponsored materials and microfilm production.

Satisfactory year seen by Owen Owen

While this year's first-half results of Owen Owen might not reach those of last year, the directors were confident that the company would produce another satisfactory performance over the full 12 months, said Mr. J. A. H. Norman, the chairman, at the annual meeting.

UK results for the first quarter in both Owen Owen (Stores) and Plumb Contracts were in line with the directors' projection and comparable with the same period of 1978, he reported.

In Canada, sales to date had been slower than was hoped, while results for the first six months would also be adversely affected by inclusion of the loss-making spring months of the new Kitchen Store opened last August.

Garry Weston, chairman of food manufacturing and retailing group Associated British Foods, which is expected to report its full-year figures today.

Reshape at Wm. Pickles promises sharp upturn

FOLLOWING the present reorganisation of the group, 1980 is expected to herald a vast improvement in the fortunes of William Pickles and Co., says Mr. Denis Greensmith, the chairman.

Outlining the main points of the reshaping programme for the clothing and soft furnishing manufacturer, Mr. Greensmith says that he cannot promise a substantial increase in profit in the current year.

In 1978 taxable profit slumped from £0.82m to £0.42m as the company faced a home textiles market where import penetration had reached 72 per cent before implementation of the new multi-fibre agreement.

Under the reorganisation many dormant entities within the group will be wound up, while the operating units will be grouped into three divisions which will be autonomous profit centres.

More than £0.5m is being spent on modernising factories and consultants have been called in to advise on factory and warehouse productivity.

A new financial executive has been recruited from outside the group to design and install an appropriate system of management accountancy and shareholders are to be asked to approve the appointment of a single firm of auditors in place of the existing seven firms.

In addition a change of name to the Pickles Group is proposed.

All the moves have been introduced to counter the eight principal reasons that the management has identified for the company's lack of success, and to generate a modern image for it.

As reported May 30 the net dividend was cut to 0.4p (0.686p).

BIDS AND DEALS

GULLIVER FOODS/ MORGAN EDWARDS

Avonmiles, a wholly owned subsidiary of Gulliver Foods, has acquired 125,000 ordinary shares in Morgan Edwards by exercising part of an option on 200,000 shares. The option to purchase was granted by Mr. E. K. Edwards and Mrs. M. C. Bolton.

The remaining 75,000, which may be bought by Avonmiles any time up to March 31, 1981, would bring Gulliver's interest in Morgan Edwards up to 29.91 per cent.

CCP/CHARTERHALL

Members of CCP North Sea Associates are to be asked to approve a scheme of arrangement under which Charterhall's 40 per cent interest in the company would be transferred to a company which will become a wholly owned subsidiary of Charterhall.

Through CCP Charterhall holds an indirect 4.233 per cent net production interest in the Buchan oil field and 4.233 per cent working interest in other North Sea oil fields.

AURORA

Aurora Holdings, which is bidding nearly £14m for Edgar Allen Balfour against strong opposition from the Board, has bought more shares in the market and now holds 29.99 per cent of the equity.

IN BRIEF

BSC FOOTWEAR (Sears Holdings Group)—Turnover year to January 27, 1979, £313.9m (£247.2m). Profit £59.1m (£42.07m) before tax £31.1m (£22.03m).

LEWIS'S INVESTMENT TRUST (Sears Holdings Group)—Turnover year to January 31, 1979, £226.4m (£213.7m). Profit £16.2m (£16.7m) before tax £8.92m (£8.89m).

MANFIELD AND SONS (Sears Holdings Group)—Turnover year to January 27, 1979, £34.15m (£26.63m). Profit £4.84m (£3.4m) before tax £2.52m (£1.72m).

MAPPIN AND WEBB (Sears Holdings Group)—Turnover year to January 27, 1979, £31.77m (£27.81m). Profit £3.06m (£3.67m) before tax £1.7m (£1.97m).

NEW THROGMORTON TRUST—Net asset value per £1 of capital loan stock is 249.82p.

CHESTERFIELD PROPERTIES—Results for 1978 already reported. Group properties £32.37m (£27.90m), net current liabilities £2.18m (£3.45m), bank loan £1.5m (£1.34m). Capital expenditure £11.2m (£245,000), of which £3m (nil) authorised but not contracted. Directors have reviewed properties portfolio as at December 31, 1978, resulting in surplus over book value of some £33m (£27m). Meeting, 1, Avery Row, W., June 27, 11.00 am.

GLENMURRAY INVESTMENT TRUST—Interim dividend 0.8p (0.75p) for year to October 31, 1979. Profit for six months to April 30, £95,715 (£97,319) before tax £41,472 (£41,307). Net asset value 112.9p (101.4p).

ROBERT McBRIDE (MIDDLETON) (controlled by BP Oil)—Turnover for 1978, £12,043,387 (£9,423,495), profit £2,276,225 (£1,734,179) before tax £560,000 (£738,278). SSAP 15 adopted and comparatives restated.

OCEANA DEVELOPMENT INVESTMENT TRUST—Net dividend 0.67p (0.42p) in year to March 31, 1979. Revenue £4,717 (£3,032) after tax of £2,125 (£1,455). Earnings per 25p share 0.99p (0.58p). Net asset value 40.6p (29.8p).

DORANAKANDE RUBBER ESTATES—Pre-tax profit for 1978 £29,975 (£27,696), including associate share £1,303 (£4,983). Tax £9,481 (£7,466), compensation from Sri Lanka £5,697 (£3,693), brought forward £6,928 (£5,021) making £21,119 (£28,955). Earnings per 10p share 2.696p (2.564p), net dividend total 2.25p (1.452p) absorbing £17,099 (£11,027) with 1.697p final. Treasury has confirmed that company will be exempt from current dividend regulations.

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:

Abbott Laboratories (Americans)
Astbury and Madeley (Industrials).

Sun Alliance Linked Life funds achieve substantial growth

BY ERIC SHORT

SUBSTANTIAL growth in funds under management during the first 14 months of operation, is reported by Sun Alliance Linked Life Assurance, the linked life subsidiary of the Sun Alliance group. The company was launched in November, 1977 and by the end of 1978 the total value of funds had reached £6.5m.

The most popular fund during this period was the property fund, valued at £2.3m at the end of 1978 with the offer price appreciating by 22.8 per cent.

The portfolio was split as to: 41 per cent in shops, 29 per cent in offices, and 30 per cent in industrial holdings.

The international fund, which invests in the overseas equity market, had a varied performance over the period, the offer price rising overall by 9.8 per cent by the end of 1978. The fund had a value of £1.9m of which nearly half was in the U.S., with the remainder spread in the European and Far Eastern markets.

A 38 per cent jump in the offer price of the equity fund was reported for 1978, compared with a rise of only 6.3 per cent in the F.T.-Actuaries All Share Index. The fund, valued at £1m, is invested mainly in the smaller sized companies with above-average growth potential.

The fixed interest fund had a value of £800,000 and showed an 11.3 per cent advance in unit price. The deposit fund, which is used as a temporary holding for liquid funds, had a value of £500,000.

The managed fund which invests in a mixture of some or all of the other five funds, showed a 17 per cent improvement in unit price and had reached £2.7m at the end of 1978.

Investment in property accounted for 30 per cent of the fund while the equity and international fund took a further 25 per cent and 20 per cent respectively.

Mixed interest accounted for 15 per cent of the holdings. The company initially marketed a single premium contract—the Unit Investment Portfolio—which has proved highly successful with investors.

This has now been followed by the launch of a regular savings contract known as the Sun Alliance Investment Plan.

LEADENHALL STERLING

Leadenhall Sterling has made a good start to the current year and expects to achieve further progress in both profits and dividends in 1979, Mr. I. T. Henderson, the chairman, told the annual meeting. "Our progress over the years has been steady, rather than spectacular, and our aim is to keep it that way in future," he said.

The group's interests include manufacture of industrial trucks, and medical optical and scientific equipment.

Bristol & West improves linked scheme

Bristol and West Building Society has improved terms on its capital Extra Growth Bonds, the life assurance linked scheme which it operates in conjunction with the Equitable Life Assurance Society.

Under the new contract, the proportion of each premium invested in the building society is now the same for all entry ages, instead of lowering from age 51 onwards. The life, is reduced to 7½ times the annual premium for entry ages up to aged 55, instead of being ten times the annual premium, with even lower amounts for higher ages.

This enables a higher proportion of each premium to be invested in the building society.

The society has also improved its bonus addition paid on withdrawal. This will apply at any time after four years instead of being paid only at the end of the years.

The net result of the changes is to considerably improve the yields on the bonds especially at the older ages. For example, the net return after four years to an investor aged 30 paying basic rate tax is lifted from 12.49 per cent to 13.49 per cent.

Extra Growth Bonds were launched just over 10 years ago and were the first of their type to link building society investment with life assurance cover.

Such bonds offer very high yields over short terms and are extremely useful in school fee planning.

Coates Bros.

Trading during the first four months of the current year at Coates Brothers showed that turnover both at home and abroad were running ahead of the previous year, Sir Richard Meyjes, chairman, told members at the AGM.

MINING NEWS

Grootvlei boosts payout

THE IMPACT of sharply rising gold prices on the fortunes of the marginal grade gold mines is illustrated by the Union Corporation group's Grootvlei. The South African short-life mine's interim dividend has been boosted to 36 cents (20.6p) from only 16 cents a year ago, the total for 1978 being 38 cents.

But Grootvlei states that as underground operations continue to decline, their currently high contribution to profits will reduce and cease entirely by the end of the year. The present surge in the gold price is not expected to protract unduly the planned run-down of operations.

Once they cease, future dividends will depend on income from milling low grade rock dump material, clean-up operations and the disposal of assets. In London yesterday, the shares rallied from 167p to close 10p up on the day at a year's high of 192p.

Another good payment announced is an interim of 40 cents from Marievale, a mine which is near the end of its life. For 1978 there was an interim of 32 cents plus a capital repayment of 25 cents and a final dividend of 38 cents. Marievale shares yesterday rebounded from an initial fall to 130p and closed unchanged on balance at 141p.

JAPANESE SIGN AUSTRALIAN COAL CONTRACT

Japan's semi-governmental Electric Power Development Company says it has signed a contract to purchase 5m tonnes of steam coal from Australia beginning in 1981.

A spokesman said the company will buy 300,000 tonnes in 1981 and 500,000 tonnes in each of the following nine years under the contract with Warkworth Coal, of Melbourne.

The price is about $30 per tonne including cost, insurance and freight.

The coal will fuel three power plants—two 500,000 kilowatt plants in Matsushima in the nation's southernmost main island of Kyushu, which is to go into operation in 1981, and a 700,000 kilowatt plant in Takehara in western Japan expected to start operation in 1983.

هكذا من الأصل

Companies and Markets

INTNTL. COMPANIES and FINANCE

Sime Darby in office deal with Malaysian province

BY WONG SULONG IN KUALA LUMPUR

[SIM]E DARBY Holdings and the [Eas]t Malaysian state of Sabah [hav]e signed a sale and lease[bac]k agreement under which [the] state government will buy [a] 8.3m ringgit (US$3.8m) [pie]ce of land in Kuala Lumpur [fro]m Sime and spend another [...]n ringgits ($18.2m) to build [a] 22-storey building for the [gro]up there.

[T]he building, to be called [Wis]ma Sime Darby, will be [lea]sed to the Malaysian group [for] 25 years. Sime said it would [us]e half the building for its [hea]dquarters and divisional and subsidiary offices, while the remainder of the space would be leased to others.

The sale and leaseback agreement was arranged by Aseambankers, the merchant bank which raised the 400m ringgit loan facility for Sime to mount its unsuccessful bid for Guthrie Corporation earlier this year.

Tun Tan Siew Sin, Sime's chairman, said that Wisma Sime Darby would have 460,000 square feet of prestigious office space, parking facilities for 600 cars and a heliport on its roof. Construction will start next month and the building should be ready early in 1983.

Datuk Harris Salleh, the chief minister of the timber and oil-rich state of Sabah, said the State Government was investing in the project because it was a sound investment, with a payback period of 10 years.

He said the State Government currently had a surplus of 500m ringgits, and the state was finding difficulties in finding worthwhile projects in which to invest its funds.

Japanese set up glass venture

BY GEORGIE LEE IN SINGAPORE

[TH]E LEADING Japanese glass[war]e and glass mould manu[fact]urers, the Toyo group, has [set] up a joint venture to manu[fact]ure glass forming moulds in [Sin]gapore.

[T]he joint venture, known as [Toy]o Glass Machinery Singa[pore], is expected to start pro[duc]tion early next year and [...]at a later stage also manu[fact]ure machinery and equip[me]nt for the glass industry.

[T]he capital investment amounts to $S5m ($U.S. 2.3m). But this will be increased to S$ 7m when the company begins manufacturing machinery and equipment.

Toyo Glass Company of Japan holds 30 per cent of the issued capital while its wholly-owned subsidiary, Toyo Glass Machinery, holds 15 per cent.

Other shareholders are: Yodogawa Seki Company (20 per cent), Pica Private Limited (20 per cent) and a Hong Kong businessman, Mr. Sui Kwok Choi (15 per cent).

The new plant will have an annual production capacity of 264 sets of glass container moulds, 132 sets of glass tableware moulds and 132 units of machinery and equipment when fully operational.

The entire output will be exported and the company has been given tax exempt pioneer status for a period of six years by the Singapore government.

French bank suffers group profits slide

By Our Financial Staff

[CR]EDIT LYONNAIS suffered a [shar]p drop in its consolidated [net] profits last year to [FFr] 350m ($79m) from [FFr] 454m. This 23 per cent [fall] follows one of 24 per cent [on] FFr 230m reported earlier [by] the bank itself.

[T]he consolidated balance[shee]t total at the end of last [year] was FFr 308bn against 227bn the previous year.

Car groups sued in U.S.

WASHINGTON — Members of the Custom Automotive Sound Association (CASA) have filed suit against Toyota Motor and Volkswagen of America requesting those companies to stop offering radios as standard equipment in their cars.

Volkswagen is a defendant in a lawsuit filed by two independent radio distributors in Baltimore and the Toyota suit was filed in Atlanta by two other distributors.

CASA won a settlement with General Motors last month requiring the group to make radios optional in its cars, excluding the Chevette and all Cadillac lines.

The independent radio distributors said that they hoped to establish a precedent in the Toyota and Volkswagen suits which would force GM to make radios optional in the Chevette.

GM has said that the Chevette compared directly with the importers and that the radio was necessary for marketing.

Reuter

LTV unit to close some steel operations

PITTSBURGH — Jones & Laughlin Steel Corporation has signed a consent degree that it must shut down certain operations at its Aliquippa works near Pittsburgh and also make improvements to other operations, in order to bring the plant into compliance with air pollution standards, the Pennsylvania Department of Environmental Resources said.

The company, a unit of LTV Corporation confirmed that it had signed the decree, but said it had not determined the exact cost of complying with it.

The company indicated, however, that the costs had been budgeted for in a previously announced $140m plan to bring the giant integrated mill into compliance with various environmental standards.

The State Agency said the company had agreed to rehabilitate one of its coke oven batteries by October 1, 1981, and to shut down another battery by the end of this year. In addition, the Agency said the company had agreed to close a sinter plant.

The company said it expects no shortfall in its cokemaking capacity as a result.

AP-DJ

Kaiser plant sale ordered

WASHINGTON—The Federal Trade Commission has ordered KaKiser Aluminum and Chemical Corporation to divest two plants that make basic refractories for industry.

The FTC had charged that since Kaiser was the second largest maker of refractories, the acquisition violated antitrust laws.

Reuter

CURRENCIES, MONEY and GOLD

Further strains on EMS

BY COLIN MILLHAM

[At]tention continued to centre [on] the European Monetary [Syst]em in the foreign exchange [mar]ket last week. The two [wea]kest members, the Danish [kron]e and Belgian franc required [furt]her support as they remained [an]chored to their lowest permitted levels against the D-mark. [Th]e situation has been aggravated by the Bundesbank's support for the D-mark by way of [doll]ar sales. There was no [dolla]r intervention at the Frankfurt fixings last week, but the [Ger]man authorities probably [cont]inued to sell dollars at various times.

[Bel]gian short-term interest rates were again higher, following the rise in one, two and three-month Treasury certificates rates, and an increase in the four-month bond fund rate. This did not herald a further rise in the central bank discount rate however, which was raised by 2 per cent to 8 per cent last month, with increases on May 2 and May 31.

Denmark has yet to take any action to help the krone, apart from intervention in the foreign exchange market, despite the fact that like the Belgian franc the Danish currency is well outside its divergence indicator in terms of the European Currency Unit.

On Friday the Bundesbank bought DKr 19.7m when the Danish currency was fixed at its floor of DM 3.4645 per 10 krone, after buying DKr 15m on Thursday.

The weaker members of the EMS have become incapable of independent movement, since they now move up and down with D-mark at the fixed lower intervention rate.

This will only lead to increasing rumours about a realignment of the EMS within the next few months.

During the last week rumours have also grown about a possible revaluation of the Italian lira, which remains at the top of the EMS despite the strength of the D-mark.

It is probable that the Italian authorities will maintain a wait and see attitude in the present circumstances, since even if the lira has entered the EMS at too high a level the fortunes of the Belgian franc and Danish krone are unlikely to encourage the Bank of Italy to leave the lira exposed to a similar fate if this can be avoided.

GOLD

	June 8	June 7
Gold Bullion (fine ounce)		
Close	$278¼-280 (£135.4-136.3)	$276¼-277¼ (£134.0-134.4)
Opening	$278¼-279¼ (£135.6-136.2)	$279½-280¼ (£135.1-135.5)
Morning fixing	$277.40 (£134.146)	$279.30 (£134.941)
Afternoon fixing	$280.00 (£135.135)	$278.05 (£135.544)
Gold Coins, domestically		
Krugerrand	$294¼-296¼ (£142½-143½)	$292½-294¼ (£141½-142½)
New Sovereigns	$75½-77¼ (£36½-37½)	$74¾-76¾ (£36¼-37¼)
Old Sovereigns	$86½-88½ (£42-43)	$86¼-88¼ (£42-43)
Gold Coins, internationally		
Krugerrand	$288-290 (£139½-140½)	$284½-286½ (£137½-138½)
New Sovereigns	$72½-73½ (£35-35½)	$71½-73½ (£34½-35½)
Old Sovereigns	$91½-93½ (£44½-45½)	$91-93 (£44-45)
$20 Eagles	$410-424	$416-424
$10 Eagles	$209-214	$206-212
$5 Eagles	$157-163	$158-162

OTHER MARKETS

June 8	£	$		Note Rates
Argentina Peso	2627-2647	1273-1283	Austria	28.70-29.70
Australia Dollar	1.8625-1.8705	0.9030-0.9065	Belgium	65-66½
Brazil Cruzeiro	52.39-53.39	25.40-25.90	Denmark	11.35-11.45
Finland Markka	8.26-8.27	3.9955-3.9975	France	9.10-9.20
Greek Drachma	76.248-78.103	36.95-37.85	Germany	3.90-3.99
Hong Kong Dollar	10.56-10.59	5.1180-5.1350	Italy	1,740-1,790
Iran Rial	148.94-155.04	72-75	Japan	454-464
Kuwait Dinar (KD)	0.570-0.580	0.2787-0.2788	Netherlands	4.25-4.35
Luxembourg Frc.	63.30-63.40	30.69-30.71	Norway	10.65-10.75
Malaysia Dollar	4.5640-4.5800	2.2200-2.2210	Portugal	100-105
New Zealand Dlr.	1.9735-1.9855	0.9565-0.9615	Spain	135½-138½
Saudi Arab. Riyal	6.87-7.07	3.4005-3.4008	Switzerland	3.53-3.63
Singapore Dollar	4.5355-4.5480	2.2052-2.2060	United States	2.065-2.075
Sth. African Rand	1.74-1.76	0.8455-0.8465	Yugoslavia	41-45

Rate given for Argentina is free rate.

CURRENCY RATES

June 8	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.615119	0.637537
U.S. $	9½	1.26793	1.31801
Canadian $	11¼	1.49007	1.54693
Austria Sch.	3¾	17.8588	18.5649
Belgian F.	8	38.5540	40.5098
Danish K.	8	6.99327	7.27214
D mark	4	2.43339	2.53031
Guilder	6½	2.63441	2.76018
French Fr.	9½	5.61036	5.83327
Lira	10½	1082.50	1125.58
Yen	4¼	275.831	289.924
Norwgn. K.	7	6.68943	6.94572
Peseta	8	85.8736	87.1668
Swedish Kr.	6½	5.55570	5.77659
Swiss Fr.	1	2.19213	2.28018

THE DOLLAR SPOT AND FORWARD

June 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.0605-2.0760	2.0625-2.0635	0.27-0.17c pm	1.27	0.82-0.72 pm	1.49
Ireland†	1.9700-1.9755	1.9710-1.9730	0.70-0.55c pm	3.80	2.05-1.90 pm	4.01
Canada	85.05-85.15	85.07-85.10	0.07-0.05c pm	0.85	0.18-0.15 pm	0.77
Nethlnd.	2.0885-2.0930	2.0890-2.0920	0.40-0.30c pm	2.01	1.00-0.90 pm	1.82
Belgium	30.65-30.75	30.68-30.71	7c pm-par	1.76	9-7 pm	1.04
Denmark	5.3100-5.3215	5.3100-5.3130	0.20-0.70ore dis	-1.02	1.75-2.25dis	-1.45
W. Ger.	1.9080-1.9125	1.9090-1.9100	0.77-0.67pf pm	4.52	2.12-2.02 pm	4.34
Portugal	49.70-49.95	49.75-49.85	37-53c dis	-10.84	90-140 dis	-9.23
Spain	66.00-66.20	66.05-66.10	par-10c dis	-0.91	10-20 dis	-0.91
Italy	852.40-854.00	852.60-853.00	0.90-1.40lire dis	-1.62	4.50-5.25dis	-2.32
Norway	5.1930-5.1970	5.1935-5.1960	0.40-0.90ore dis	-0.46	1.85-1.25 pm	1.12
France	4.4240-4.4290	4.4240-4.4255	0.25-0.35c dis	-0.75	0.95-1.15dis	-0.95
Sweden	4.3800-4.3840	4.3800-4.3815	0.65-0.45ore pm	1.51	1.50-1.30 pm	1.28
Japan	216.90-220.00	217-218	1.00-0.50y pm	5.24	2.75-2.50 pm	4.87
Austria	1.7276-1.7300	1.7280-1.7290	4.50-4.00gro pm	3.62	13.50-12.00 pm	3.62
Switz.	14.065-14.090	14.067-14.072	1.23-1.13c pm	8.36	3.65-3.00 pm	8.33

† UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

June 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0605-2.0760	2.0625-2.0635	0.27-0.17c pm	1.28	0.82-0.72 pm	1.49
Canada	2.4215-2.4305	2.4225-2.4245	0.20-0.10c pm	0.74	0.45-0.35 pm	0.66
Nethlnd.	4.31-4.34	4.31½-4.32½	1½-½c pm	1.39	3½-2½ pm	3.13
Belgium	63.25-63.65	63.30-63.40	25-10c pm	3.79	33-23 pm	2.34
Denmark	11.36-11.42	11.36½-11.37½	1½ore pm-1½ dis	0.00	3-6 dis	-0.53
Ireland	1.0400-1.0610	1.0470-1.0480	15-25p dis	-2.29	60-70 dis	-2.48
W. Ger.	3.93½-3.96½	3.94-3.95	2½-1½pf pm	5.70	6-5 pm	5.58
Portugal	102.60-103.30	102.70-103.00	50-110c dis	-9.33	145-245 dis	-7.58
Spain	136.20-136.70	136.25-136.35	25c pm-25c dis	0.00	par-25 dis	-0.36
Italy	1,758-1,766	1,758½-1,759½	par-2 lire dis	-0.68	5-7 dis	-1.36
Norway	10.71-10.75	10.71½-10.72½	2½-½ore pm	1.70	7½-5½ pm	2.43
France	9.12-9.16½	9.12½-9.13½	½c pm-½c dis	0.49	1¾-¾ pm	0.11
Sweden	9.03-9.07	9.03½-9.04½	2½-½ore pm	1.99	6¾-4¾ pm	2.32
Japan	448-458	452½-453½	2.60-2.30y pm	6.49	7.25-6.85 pm	6.27
Austria	29.00-29.15	29.00-29.05	15-5gro pm	4.13	42-32 pm	5.09
Switz.	3.56½-3.59½	3.56½-3.57½	3½-2½c pm	9.24	9½-8½ pm	9.66

Belgian rate is for convertible francs. Financial franc 65.65-65.75. Six-month forward dollar 1.72-1.62c pm; 12-month 3.05-2.90c pm.

EXCHANGE CROSS RATES

June 8	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.063	3.945	452.8	9.130	3.575	4.318	1759.	2.425	63.35
U.S. Dollar	0.485	1.	1.912	219.5	4.426	1.733	2.093	852.5	1.176	30.71
Deutschemark	0.253	0.523	1.	114.8	2.314	0.906	1.094	445.9	0.615	16.06
Japanese Yen 1,000	2.209	4.557	8.713	1000.	20.17	7.896	9.536	3885.	5.356	139.9
French Franc 10	1.095	2.260	4.321	495.9	10.	3.915	4.729	1926	2.655	69.39
Swiss Franc	0.280	0.577	1.104	126.7	2.555	1.	1.208	492.5	0.679	17.75
Dutch Guilder	0.232	0.478	0.914	104.9	2.115	0.827	1.	407.4	0.561	14.67
Italian Lira 1,000	0.569	1.173	2.243	257.4	5.191	2.031	2.455	1000.	1.378	36.02
Canadian Dollar	0.413	0.851	1.627	186.6	3.767	1.474	1.781	725.6	1.	26.13
Belgian Franc 100	1.579	3.257	6.227	714.7	14.41	5.639	6.815	2776.	3.826	100.

LONDON MONEY RATES

June 8 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	10-11½	—	—	—	11½	10-11½	—	—	—
2 days notice	—	—	11-11¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11¼-11½	11½-11¾	—	—	11½	11-11½	—	—	—
One month	11½-11¼	11½-11¾	—	12¼-12	12	11¾	11½-11⅝	11¼	11½	12½
Two months	11½-11¼	11⅝-11¾	11¾-11½	12-11¾	12	—	11½	11¼-11¾	11½	12½
Three months	11¾-11⅝	11¾-11⅞	11⅝-11⅞	11¾-11½	12	12¼	11⅝	11¾-11⅞	11¾	12¼
Six months	11¾-11⅝	11¾-11⅞	11¾-11⅞	11⅝-11½	12	—	—	—	—	12¼
Nine months	11¾-11⅝	11¾-11⅞	—	11⅝-11½	11¾	—	—	—	—	—
One year	11⅝-11½	11⅝-11¾	11¾-11⅞	11½-11⅜	11¾	—	—	—	—	—
Two years	—	—	11¾	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rate nominally three years 12-12⅛ per cent; four years 12¼-12⅜ per cent; five years 12½-12⅝ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 11⅝-11¾ per cent; four-month trade bills 12¼ per cent.

Approximate selling rate for one-month Treasury bills 11⅝-11¾ per cent; two-month 11⅜-11⅝ per cent; three-month 11¾ per cent. Approximate selling rate for one-month bank bills 11⅝ per cent; two-month 11¾ per cent; and three-month 11¾ per cent; one-month trade bills 12⅛ per cent; two-month 12 per cent; and three-month 11⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12 per cent from June 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 9-9½ per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.4349 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.75
Fed Funds	10.25
Treasury Bills (13-week)	9.25
Treasury Bills (26-week)	9.22

GERMANY

Discount Rate	4
Overnight Rate	5.575
One month	6.05
Three months	6.65
Six months	7.05

FRANCE

Discount Rate	9.5
Overnight Rate	8.9
One month	9.375
Three months	8.71875
Six months	9.0625

JAPAN

Discount Rate	4.25
Call (Unconditional)	5.1875
Bills Discount (three-month)	5.75

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published.

	Date	Announcement last year
Alexanders Discount	July 3	Int. 4.5
*Allen (E.) Balfour	June 27	Final 3.13
*Allied Breweries	June 12	Int. 1.4
Allied Colloids	July 12	Final 1.117
Arbuthnot Latham	June 22	Final 6.23
*Assoc. Bnt. Foods	June 11	Final 1.523
Associated Cmunictns	June 22	Final 4.2139
*BAT Inds.	June 26	Sec. int. 5.0
*BPB Inds.	June 27	Final 3.824
*Baker Perkins	June 21	Sec. int. 4.359
Bath and Portland	July 4	Int. 1.8
*Barisford (S. and W.)	June 21	Int. 1.925
Brit. and Com. Shipping	June 15	Final 5.008
British Dredging	July 10	Final nil
*Brown Shipley	June 14	Final 6.264
*Burnett and Hallamshire	June 20	Sec. int. 1.427
*Charter Consd.	July 4	Final 5.2764
*Chloride	June 14	Sec int 3.798
Chubb	June 28	Final 2.498
*Daily Mail and Gen. Tst.	June 12	Sec. int. 8.388
Dawson Internatnl.	June 19	Final 1.982
Distillers	July 13	Final 4.5842
*Elliott (B.)	June 27	Final 2.868
*English China Clays	June 14	Int. 1.925
*GEI Intl.	June 12	Final 3.0369
General Electric	July 6	Final 2.045
Gestetner	July 14	Int. 2.125
Granada	July 3	Final 1.189
*Gt. Portland Estates	June 14	Final 3.357
*Guinness (A.)	June 15	Int. 2.618
*Hambros	June 18	Final 58.467
*Hanson Tst.	June 18	Int. 3.025
*Hill Samuel	June 12	Final 3.229
Howden	July 13	Final 3.1543
Imp. Contntl. Gas	June 27	Sec. int. 5.606
Imperial Grp.	July 13	Int. 2.25
Intl. Timber	June 15	Final 4.285
LCP	June 27	Final 2.79
*Lindustries	June 21	Final 6.0
*Lon. & O'seas Freighters	June 15	Final nil
*MK Electric	June 27	Final 2.89
*Metal Box	June 11	Final 10.729
News Intl.	June 23	Int. 4.45
Norcros	June 23	Final 3.189
*Pilkington Bros.	June 15	Sec. int. 5.85
*Plessey	June 28	Final 2.573
*Powell Duffryn	June 27	Final 6.5
*Racal Electronics	June 21	Final 2.18
*Rank Org.	July 18	Int. 4.0
Raybeck	July 12	Final 2.3512
Rediffusion	June 23	Final 3.916
*Redland	June 28	Final 2.128
Renold	June 29	Final 6.841
Rothmans Intl.	July 14	Final 1.327
SGB	June 27	Int. 2.75
*Scapa	June 22	Final 3.0
Sheepbridge Eng.	June 22	Final 2.25
*Tesco Stores	June 20	Final 0.9233
Thorn Elec.	July 7	Final 9.0
Town & City Props.	July 14	Final 0.01
Trust Houses Forte	June 28	Int. 2.85
Tunnel	June 22	Final 7.622
UKO Intl.	June 8	Final 5.87
*Wedgwood	June 13	Final 3.98
Whitecroft	June 28	Final 9.0
*Westland Aircraft	June 13	Final nil
*Woodhead (Jonas)	June 15	Final 2.67

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	12 %
Allied Irish Banks Ltd.	12 %
Amro Bank	12 %
American Express Bk.	12 %
A P Bank Ltd.	12 %
Henry Ansbacher	12 %
Associates Cap. Corp.	13 %
Banco de Bilbao	12 %
Bank of Credit & Cmce.	12 %
Bank of Cyprus	12 %
Bank of N.S.W.	12 %
Banque Belge Ltd.	12 %
Banque du Rhone et de la Tamise S.A.	12½ %
Barclays Bank	12 %
Bremar Holdings Ltd.	13 %
Brit. Bank of Mid. East	12 %
■ Brown Shipley	12 %
Canada Perm't Trust	12 %
Cayzer Ltd.	12 %
Cedar Holdings	12 %
■ Charterhouse Japhet	12 %
Choulartons	12 %
C. E. Coates	12 %
Consolidated Credits	12 %
Co-operative Bank	*12 %
Corinthian Secs.	12 %
Credit Lyonnais	12 %
The Cyprus Popular Bk.	12 %
Duncan Lawrie	12 %
Eagil Trust	12 %
English Transcont.	12 %
First Nat. Fin. Corp.	14 %
First Nat. Secs. Ltd.	14 %
■ Antony Gibbs	12 %
Greyhound Guaranty	12 %
Grindlays Bank	‡12 %
■ Guinness Mahon	12 %
■ Hambros Bank	12 %
■ Hill Samuel	§12 %
C. Hoare & Co.	†12 %
Julian S. Hodge	13 %
Hongkong & Shanghai	12 %
Industrial Bk. of Scot.	12 %
Keyser Ullmann	12 %
Knowsley & Co. Ltd.	13½ %
Lloyds Bank	12 %
London Mercantile	12 %
Edward Manson & Co.	13 %
Midland Bank	12 %
■ Samuel Montagu	12 %
■ Morgan Grenfell	12 %
National Westminster	12 %
Norwich General Trust	12 %
P. S. Refson & Co.	12 %
Rossminster	12 %
Ryl. Bk. Canada (Ldn.)	12 %
Schlesinger Limited	12 %
E. S. Schwab	12 %
Security Trust Co. Ltd.	13 %
Shenley Trust	13 %
Standard Chartered	12 %
Trade Dev. Bank	12 %
Trustee Savings Bank	12 %
Twentieth Century Bk.	13 %
United Bank of Kuwait	12 %
Whiteaway Laidlaw	12½ %
Williams & Glyn's	12 %
Yorkshire Bank	12 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 9½%, 1-month deposits 9¾%.
† 7-day deposits on sums of £10,000 and under 9½%, up to £25,000 10% and over £25,000 10¼%.
‡ Call deposits over £1,000 9½%.
§ Demand deposits 9½%.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p:	+or-	Net Dividend	Times Covered	Gross Yield	P/E Ratio
60	F.P.	11/7	91	78½	B & Q (Retail) 5p	81	-1	b2.46	2.8	3.0	17.4
£115	F.P.	—	207	137½	‡Baker (John)	200	-2	12.0	—	9.0	—
‡‡	F.P.	—	57½	40½	Bank Bridge 10p	40½					
‡	F.P.	22/6	53	51	Fulcrum Inv. Income	52		64.0	—	11.5	—
‡‡	F.P.	22/6	4½	3	Do. Capital 3½p	4¼	-¼				

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+or-
20p	F.P.	11/5	21½p	18p	How'rd Wyndh'm 9% Cnv. Cum. Red. Prf.	18p	
100	—	—	2pm	1pm	Marsh'll's Univ's 17% Cnv. Cum. Red. Prf.	1pm	
100	£10	30/8	12	11½	Portsmouth Water 8% Red. Prf. 1984	11½	
100	F.P.	11/5	118½	108	Slough Ests. 8% Cnv. 1991-94	111	-1
98	£25	25/8	25½	24½	York Water 12% Deb 1986	24½	

"RIGHTS" OFFERS

Issue Price p:	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p:	+or-
26½	F.P.	14/5	8/6	35½	30½ Davis & Metcalfe 'A'	32	
25	F.P.	8/6	6/7	60pm	40pm Edwards (Louis C.)	46	
12	F.P.	1/6	29/6	15½	14 Hampton Trust	15½	+½
154	Nil	22/6	27/7	17pm	15pm MEPC	16pm	
34	F.P.	24/4	12/6	49	48 Norfolk Cap. Hotels	50	
85	Nil	—	—	56pm	18pm P.M.A. Holdings	54pm	-1
210	Nil	—	—	60pm	40pm Peterson Tennant	40pm	
20	F.P.	—	—	43½	29 Provincial Laundries	42½	
118	F.P.	1/6	29/6	126	116 Pullman R. & J.	116	
60	Nil	—	—	28pm	25pm Scotcros	25pm	-1
115	F.P.	11/5	2/7	136	131 Scot. Met. Prop.	133	-1
265	Nil	15/6	27/7	30pm	19pm Simon Engineering	19pm	
20	F.P.	27/4	15/6	32	27½ Singlo Holdings	28	
150	Nil	15/6	13/7	6pm	2pm Smurfit (Jefferson)	3pm	
455	F.P.	16/5	8/7	507	467 Standard Chartered Bank	493	-1
138	Nil	18/6	9/7	7pm	2½pm Tilling (Thomas)	2½pm	-½
175	F.P.	23/5	4/7	249	210 Tricentrol	234	-1
95	F.P.	7/6	13/7	105½	100 UDS	102	
90	Nil	19/6	13/7	5½pm	3pm Wocks Associates	3pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. u Assumed dividend and yield. a Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. || Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.
45 Cornhill, London EC3V 3PB · Tel: 01-623 6314
Index Guide as at June 7, 1979
Capital Fixed Interest Portfolio 114.80
Income Fixed Interest Portfolio 105.00

INSURANCE BASE RATES

† Property Growth 11¼%
† Vanbrugh Guaranteed 10.87%
† Address shown under Insurance and Property Bond Table.

L.G. Index Limited 01-351 3466. Jan./March Rubber 72.85-73.55
29 Lamont Road, London, SW10 0HS.
1. Tax-free trading on commodity futures.
2. The commodity futures market for the small investor.

CORAL INDEX: Close 500-505

APPOINTMENTS

Spillers' food ingredients group chief executive

Dr. John G. Chadwick has become managing director of the food ingredients group of SPILLERS in place of Mr. Maurice Moriaty, who died in April. Dr. Chadwick joined Spillers Foods in 1975 as production director after holding senior production and technical positions with major UK companies. Since 1977 he has been production director of the grocery products group which is responsible for domestic and pet food manufacture for Spillers.

The company states that its food ingredients group, manufacturers of ingredients for supply to the food industry, is now a highly technical business and it is appropriate that a scientist with production experience has been chosen to fill the post. Dr. Chadwick held previous appointments with Glaxo Laboratories, General Foods, English Grains, the Co-Operative Wholesale Society and Chloride.

*

Mr J. P. Frasso will be relinquishing his appointments in the GUINNESS PEAT GROUP and GUINNESS MAHON AND CO. on the expiry of his service agreement on July 31. Mr. Frasso is a French National and intends to take up residence abroad.

*

Earl Jellicoe, chairman of Tate and Lyle, is to become president of the LONDON CHAMBER OF COMMERCE AND INDUSTRY. He will succeed Sir Peter Tennant at the Chamber's annual meeting to be held at the Guildhall on June 15. In addition to being chairman of Tate and Lyle, Earl Jellicoe is a director of S. G. Warburg and Co., merchant bankers, and of Smiths Industries and Morgan Crucible. He is a former Lord Privy Seal and former leader of the House of Lords.

*

Mr. A. M. Rosholt has been appointed chairman and Mr. G. W. Dunningham, vice chairman, of BARLOW RAND.

*

Mr. John Forsaith is to become group personnel director from July 1 of the Packaging and Paper Products Group unit of the BRITISH PRINTING CORPORATION.

*

Mr. J. P. Bond has been appointed to the Board of HAWKER SIDDELEY POWER TRANSFORMERS as marketing director. He takes over the responsibility for marketing from Mr. G. B. Harper, who will be retiring. Mr. Harper will remain a member of the Board. Mr. P. Bond joined Brush Electrical Engineering in 1943. After holding positions with the group's associate in the U.S., where he was vice president of Hawker Siddeley Inc., he returned to the UK in 1961 as export manager of Brush Electrical Engineering and subsequently became chief executive and joint managing director of Hawker Siddeley Export. Since 1970, he has been general manager of Crompton Parkinson, Dundee works.

*

Mr. Derek Crowther has become chairman of the DERBYSHIRE SMALL INDUSTRIES COMMITTEE and he will head the voluntary committee which advises the Council for Small Industries in Rural Areas. Mr. Crowther takes over the chairmanship of the Derbyshire Committee from Sir John Fitzherbert, who has resigned after ten years in that office.

*

Mr. M. J. Newham is to become head of management services at the Guildhall office of the CORNHILL INSURANCE COMPANY from July 1. He will succeed Mr. J. S. Rawlings, who retires at the end of this month after 44 years with the group.

*

Earl Jellicoe, chairman of TATE AND LYLE, is to become President of the London Chamber of Commerce and Industry. He will succeed Sir Peter Tennant at the chamber's annual meeting at the Guildhall next Friday.

DR. JOHN CHADWICK

INSURANCE

Occupancy: vital home risk question

IN THE underwriting assessment risk for the provision of commercial crime loss cover, occupation and occupancy have long been fundamental factors for consideration: occupation, because it goes to the nature and quality of the goods and their attraction for thieves, and occupancy, because if the premises are left unattended out of business hours then the risk of break-in is greatly increased. So proposals for commercial crime loss insurances normally include positive questions on both these matters.

With domestic, home and all risks insurance, occupation virtually ceases to be a rating factor, though it may be indicative of status and lifestyle. But occupancy, or rather unoccupancy, remains an important feature. Police statistics show the majority of domestic break-ins occur in daylight, between the hours of 10 a.m. and 4 p.m., when many houses and flats are empty.

True, unoccupancy is a variable. It may well be possible for the country village policyholder to leave his front door wide open and house unoccupied all day in absolute security. But this is clearly not a proposition for the resident of a large block of flats in London.

The difference between town and country is highlighted in a booklet issued by Phoenix Assurance to its domestic policyholders. It explains that last year one in 17 homes was burgled in London, compared with one in 38 elsewhere.

Last month the British Insurance Association published its assessment of member companies' 1978 crime loss payout. BIA's figures show that thefts from private homes are now totalling more than £100,000 a day. Losses in 1978 amounted to £37.9m. Allowing for losses paid by Lloyd's underwriters and non-BIA companies, and for the many uninsured or underinsured losses, the current domestic loss figure must be at least £150,000 a day—or £55m a year.

Taking BIA's figures as a whole, member companies' crime loss payments in 1978 totalled £75.2m. This was an apparent increase of 21.8 per cent against 1977. Taking inflation into account it was a real increase of more than 10 per cent.

Disquieting for insurers was the continuing real increase in losses sustained from commercial and industrial premises. Payments in inflated terms have increased by well over 100 per cent in the three years 1976 to 1978, so the real increase in commercial crime losses in this period must be about 50 per cent. This worsening climate ought to prompt a further tightening of security requirements by insurers providing commercial crime loss cover, together with an upward adjustment of rates for many risks. But the BIA's figures have not yet had a significant underwriting impact.

Returning to occupancy, the Consumers' Association has said in evidence to the Law Commission on the much debated reform of the laws concerning non disclosure "it is fairly obvious that good locks on doors and windows reduce the risk of burglary, but few people realise that the risk is increased if a man's wife, who used to be at home all day, starts going out to work."

If the association is right, then the average Briton is even worse informed than most of us suppose. But I think the association is, not for the first time, wrong. I am sure the majority of people, particularly in towns, are well aware that regular unoccupancy increases the risk of burglary. This being so, if they stop to think for one moment, they must appreciate that unoccupancy is a material fact which ought to be disclosed to insurers even if they do not ask specific questions on their proposal forms.

TEL AVIV

Company	Prices June 10 1979	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	352	+ 12.0
IDB Bankholding	487	+ 4.0
Bank Hapoalim Br.	270	+ 10.0
Union Bk. of Israel Br.	376	+ 20.0
United Mizrahi Bank	269	+ 16.0
Hassneh Insurance Br.	370	+ 20.0
General Mort. Bank Br.	290	+ 2.0
"Telehot" Israel M. B.	386	+ 71.5
Land Development		
Africa Israel Inv. IO10	1,005	+ 54.0
Israel Land Devpt. Br.	214	+ 6.0
Property and Building	401	+ 7.0
Public Utility		
Israel Electric Corp.	248	− 12.0
Investment Companies		
Bank Leumi Invest.	293	− 6.0
"Clal" Israel Invest.	293	− 53.0
Discount Invest.	293	− 12.0
Commercial and Industrial		
Alliance Tire & Rubber	1,249	− 50.0
Elco Br.	275	− 10.0
Argaman Textile Br.	350	− 10.0
"Ata" Textile "B"	300	− 15.0
Amer. Israeli Ppr. Mills	988	+ 43.0
Assis	435.5	+ 48.5
Elite	770	+ 10.0
Teva Reg.	590	+ 45.0
Wolf and Oil		
Delek	260	+ 1.0

Source: Bank Leumi le Israel BM. Tel Aviv.

WORLD STOCK MARKETS

Indices

NEW YORK—DOW JONES

	June 8	June 7	June 6	June 5	June 4	June 1	1979 High	1979 Low	Since Compil't'n High	Since Compil't'n Low
• Industr'ls	835.15	836.97	835.50	831.54	821.60	821.21	878.72 (10/4)	807.00 (27/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	84.93	84.82	84.75	84.59	84.21	84.39	85.90 (2/2)	82.82 (8/5)	—	—
Transport	238.46	239.24	238.12	236.61	234.51	235.10	259.24 (7/8)	205.78 (27/2)	279.88 (7/2/69)	12.23 (2/7/32)
Utilities	105.82	105.79	105.09	102.47	102.20	101.85	104.94 (6/4)	98.51 (16/5)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	31,540	43,530	40,100	36,090	24,050	24,590	—	—	—	—

• Day's high 839.48 low 831.25

Ind. div. yield %	June 1	May 25	May 18	Year ago (approx)
	6.16	6.01	5.96	5.50

STANDARD AND POORS

	June 8	June 7	June 6	June 5	June 4	June 1	1979 High	1979 Low	Since C'mpil't'n High	Since C'mpil't'n Low
‡Indust'ls	112.67	113.23	112.72	111.98	110.40	110.25	116.68 (9/1)	107.08 (27/2)	134.64 (11/1/73)	3.55 (30/6/32)
§Composite	101.48	101.79	101.60	100.62	99.32	99.17	103.34 (10/4)	96.13 (27/2)	125.85 (11/1/6)	4.40 (1/6/23)

	June 6	May 30	May 25	Year ago (approx)
Ind. div. yield %	5.28	5.38	5.32	4.66
Ind. P/E Ratio	7.92	8.38	8.46	9.51
Lon. Gov. Bond Yield	8.95	8.98	9.05	8.45

N.Y.S.E. ALL COMMON

June 8	June 7	June 6	June 5	1979 High	1979 Low
57.42	57.53	57.23	56.81	58.18 (10/4)	53.88 (27/2)

Rises and Falls	June 8	June 7	June 6
Issues Traded	1,898	1,911	1,904
Rises	698	1,011	984
Falls	737	496	512
Unchanged	465	404	408
New Highs	—	91	94
New Lows	—	16	27

MONTREAL	June 8	June 7	June 6	June 5	1979 High	1979 Low
Industrial	267.68	267.90	264.54	262.61	267.90 (7/6)	219.18 (2/1)
Combined	265.72	265.66	263.17	261.41	265.66 (7/6)	226.60 (2/1)
TORONTO Composite	1570.2	1570.9	1553.7	1557.3	1570.9 (7/6)	1315.8 (2/1)
JOHANNESBURG Gold	—	281.5	291.7	289.2	295.4 (29/5)	228.4 (17/4)
Industrial	—	317.7	316.1	316.2	330.0 (23/5)	270.5 (2/1)

	June 8	Previous	1979 High	1979 Low
Australia (¶)	577.58	584.45	597.66 (10/5)	545.72 (2/1)
Belgium (‖)	105.97	106.01	108.09 (3/5)	96.80 (3/1)
Denmark (**)	96.08	95.00	97.22 (10/5)	88.32 (8/1)
France (††)	79.1	78.6	81.6 (2/5)	71.5 (15/2)
Germany (‡‡)	728.9	719.4	839.6 (16/1)	719.4 (7/6)
Holland (§§)	71.4	71.8	86.9 (24/1)	71.3 (7/6)
Hong Kong (¶¶)	562.50	565.24	568.90 (5/2)	485.85 (2/1)
Italy (‖‖)	76.60	77.21	80.01 (4/5)	68.58 (2/1)
Japan (a)	445.05	448.83	462.97 (31/1)	436.22 (10/4)
Singapore (b)	—	402.23	404.13 (22/6)	346.34 (23/2)
Spain (d)	96.51	96.47	111.66 (8/3)	93.05 (12/1)
Sweden (e)	352.57	347.72	401.54 (6/2)	347.72 (7/6)
Switzerl'd (f)	305.4	304.8	329.1 (2/6)	294.0 (3/1)

Indices and base dates (all base values 100 except NYSE All Common—50: Standards and Poors—10; and Toronto 300—1,000: the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 29/12/78. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

FRIDAY'S ACTIVE STOCKS

	Stock traded	Closing price	Change on day
Caesars World	1,379,900	28⅞	−3⅜
Bally Mfg.	570,300	41⅞	
Charter Co.	476,200	26½	+2½
McDonnell Douglas	451,800	20⅞	+⅝
Itel	425,600	11½	
Phillips Petrolm	415,700	38½	−2½
Tescord	409,000	15⅞	+⅛
Tesoro	409,000	15⅝	+⅛
Champion Spark	315,600	12½	+⅛
IBM	312,000	77⅞	

EUROPE

AMSTERDAM

June 8	Price Fls.	+ or −	Div. %	Yld. %
Ahold (Fl.20)	90.5	−0.2	A22	4.9
Akzo (Fl.20)	28.1	−0.2	—	—
Alg'm Bk (Fl 100)	347.0		A25	7.2
Amev (Fl.10)	85.1	−0.2	50	5.9
[illegible]				

BRUSSELS/LUXEMBOURG

June 8	Price Frs.	+ or −	Div. Frs. Net	Yld. %
Arbed	2,500	−50	—	—
Bekaert "B"	2,520	−100	150	5.1
C.B.R. Cement	1,120	−30	100	[illegible]
[illegible]				

SPAIN

June 8	Per cent	
Asland	104	—
Banco Central	289	—
Banco Exterior	282	—
B. Granada (1,000)	134	—
Banco Hispano	258	—
Bco. I. Cat. (1,000)	143	—
Banco Madrid	201	—
[illegible]		

TOKYO

June 8	Prices Yen	+ or −	Div. %	Yld. %
Asahi Glass	337	−2	14	2.1
Canon	535	+6	18	1.4
Casio	597	+2	25	[illegible]
Chinon	328		20	1.5
Dai Nippon Print	542		18	1.7
Fuji Photo	609	+9	15	1.3
Hitachi	24[illegible]	+2	12	2.5
[illegible]				

Source: Nikko Securities, Tokyo

VIENNA

[illegible]

COPENHAGEN

[illegible]

STOCKHOLM

[illegible]

GERMANY

[illegible]

SWITZERLAND

[illegible]

MILAN

[illegible]

OSLO

[illegible]

PARIS

[illegible]

BRAZIL

[illegible]

Turnover Cr. 256.7m. Volume 152.8m. Source: Rio de Janeiro SE.

HONG KONG

[illegible]

AUSTRALIA

[illegible]

JOHANNESBURG

[illegible]

Financial Rand U.S.$0.90½ (Discount of 23.4%)

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax.

WALL STREET

NEW YORK

[illegible]

CANADA

[illegible]

† Bid. ‡ Asked. § Traded. ¶ New Stock.

INTERNATIONAL BONDS

BY FRANCIS GHILES AND JOHN EVANS

The bull market puts on weight

THE EURODOLLAR bond market's best rally since last November moved into its second week, reinforcing the conviction among dealers that a healthy bull market in dollar issues is emerging.

In Europe, however, ominous signs continued to build around the newly-founded European Monetary System. Swiss and other funds were reportedly taking speculative positions in the Deutsche-Mark. Germany's Bundesbank last week was defending the EMS by intervention in the weaker currencies in the system—the Danish crown and Belgian franc.

In Tokyo, the bond market deteriorated further despite Finance Ministry efforts to stabilise conditions. This cast doubts over several forthcoming "samurai" issues—yen bonds by foreign issuers.

The dollar market's rise last week, extending to a further ½ to 1¼ points among many issues, was supported by the buoyancy of its counterpart bond market in New York. In addition, further statistics pointing to a U.S. recession in the third or fourth quarter of 1979, raising hope of some slowing in U.S. inflation levels, drew further investor demand for bonds.

Nevertheless there are warning notes that the Eurodollar bond market—which is now fairly receptive to new issues—may be overloaded.

In its weekly bond telex, Hill Samuel underlines the temptations for international borrowers.

"As a result of the tighter monetary policies being pursued by the hard-currency countries, the dollar market now represents the last pocket of excess international liquidity which can be readily tapped by borrowers," it says.

Kidder Peabody Advisory Services echoes the same theme.

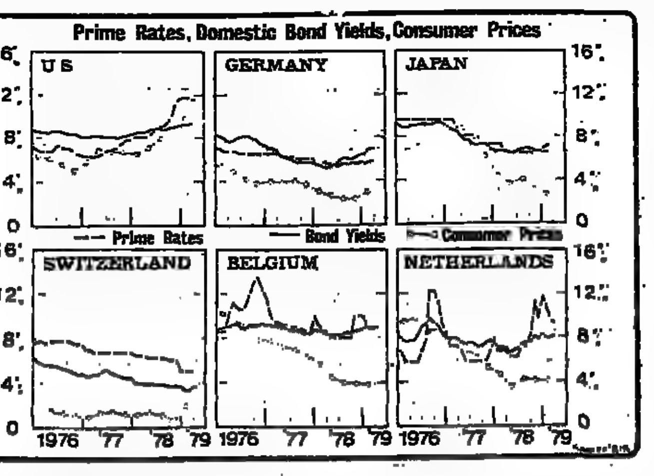
"Few borrowers will be able to resist the temptation to tap the market while the going is good. If the new issue floodgates are opened secondary prices will ease . . . as the sound base which the market has built rests almost entirely on volume flows in the primary sector."

But the latest of the new dollar offerings look as if they can be readily absorbed.

Dresdner Bank is arranging $125m of bonds with warrants for the German chemical group, Hoechst. The 10-year issue carries a coupon of 6½ per cent, with warrants for the purchase of 18 shares of Hoechst stock with each $1,000 face value bond.

The option price for the shares will be set at no less than the average price for Hoechst stock in the period from June 1 to June 21, according to Dresdner. Hoechst shares have been trading in the DM 124 to DM 125 range in Frankfurt in the past few days.

Gulf and Western Intercontinental Investments NV, a subsidiary of the U.S. conglomerate, is raising $35m of guaranteed notes due 1984. The coupon is 9¾ per cent, and pricing is to be set within a range of 99 to par.



Kidder Peabody is leading a management group which will handle the sale of the entire amount.

Meanwhile, four $100m issues are already on offer. The Caisse National de Telecommunications' 9¼ per cent notes are priced at 99¼, the Kennecott notes with the same coupon, at 99¼ while General Motors Acceptance Corporation is offering a 9¼ per cent coupon at par.

National Westminster has scheduled $100m in the form of 15-year floating rate notes, with a coupon ¼ per cent above interbank rates.

In Deutsche Mark bonds, the markets took on a much steadier appearance last week, reflecting the new attraction of the D-Mark. The latest domestic issue for the Federal Republic was well received, and the DM 200m bond for Sweden in the foreign bond sector was reportedly moving well.

This encouraged Deutsche Bank to float a DM 100m issue for the Inter-American Development Bank.

There are also signs that Swiss, French and Belgian investors have been buying DM paper, both in the foreign and domestic sectors of the DM market, albeit in small quantities. As the yield differential between DM and dollar paper has narrowed, a growing number of Continental investors seem to be taking the view that DM bonds are cheap.

Furthermore the clouded future of the EMS has led some of them to gamble on the German currency. A revaluation of the D-Mark rather than a devaluation of the Belgian franc is anticipated by most. The buying of DM paper, however, is not expected to gain any real momentum so long as the dollar sector performs strongly.

In the French franc sector, a FFr 100m six-year issue was announced for Renault Finance, the financial arm of the major French car company.

● In the Japanese bond markets, underwriters of a proposed 10-year Y10bn bond by Thailand, the only samurai issue now scheduled this month, are saying that the yield will have to be set as high as 8.8 to 8.9 per cent to make it marketable, Richard Hanson writes from Tokyo.

Earlier this month, Finland postponed for a second time an issue by electric power company Imatran Voima, when underwriters requested a yield of just over 8 per cent.

CURRENT EUROBOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡Dominion Bridge	30	1984	5	10½	100½	Orion	10.12
‡‡Banco Nac. Desenv. Econ.	50	1989	10	6*	100	EBC	10.75°
‡‡ SBL (Cayman) g'teed Bangkok Bank	30	1984	5	6¼*	100	Man. Han., BNP	6.1°
Alcoa of Australia	50	1989	8.5	10	*	CSFB	*
Kennecott Int. NV.	100	1986	7	9¼	99¼	Morgan Stanley	9.40
General Motors Acceptance Corp.	100	1987	7	9¼	100	Chemical Bank	9.25
‡Société Générale Alsac. de Banque	20	1989	10	5¼*	100	Societe Generale	*
†Nat. Westminster	100	1994	14.75	5¼*	100	County Bank	*
Hoechst	125	1989	—	6½	—	Dresdner	—
D-MARKS							
Sweden	200	1989	10	7½	99¾	Dresdner Bank	*
KUWAITI DINARS							
‡BNP	10	1989	7.25	7½	100	Kuwait Invest. Co.	7.75
UNITS OF ACCOUNT							
‡Soc. de Develop. Regional	24	1994	10.5	8½	99¾	Crédit Lyonnais	8.56
SWISS FRANCS							
‡Council of Europe	100	1989	n.a.	4½	100	Banca del Gottardo	4.75
‡*Banque Ext. d'Algérie	50	1989	n.a.	4½*	100	Banque Gutzwiller Soditic	4.30*
‡EIB	100	1991	n.a.	4½	100½	UBS	4.45
‡**§Dai Nippon Ink	100	1984	n.a.	4	100	Credit Suisse	4.04
‡**§Kyorritsu	20	1984	n.a.	4¼	100	UBS	4.25
‡**Danish Export Fund	75	1983/4	4½	4½	100	Swiss Volksbank	4.62
LUXEMBOURG FRANCS							
Cegedel	225	1989	*	8.2	100	Banque Gen. du Lux.	*

* Not yet priced. § Final terms. ** Placement. † Floating rate note. ° Minimum. ‡ Convertible. †† Registered with U.S. Securities and Exchange Commission. Note: Yields are calculated on AIBD basis.

EUROBOND COMMISSIONS

BY JOHN EVANS

EIB joins the small investor debate

A POWERFUL voice which has joined the hotly contested debate over commission levels on new issues in the Eurobond market, only a few days after the dust has settled on the whole subject at the annual meeting of the Association of International Bond Dealers in London.

Andre George, of the European Investment Bank, maintains that the structure of the underwriting, selling, and management commission system in the Eurobond market is artificial and unfair to the smaller investor.

The EIB is studying a formula to be used in the bank's next Eurodollar bond, to attempt to correct this inequality. The formula could be used in an offering of $100m-$150m which the EIB is considering launching during the summer.

As one of the most regular and widely respected borrowers in the bond markets, EIB's tactics could well set the pace for other issuers in coming months and will undoubtedly attract wide attention.

M. George will not yet elaborate on his new formula. But banks with close links with EIB believe that the EEC's financing institution may well extend and reinforce its policy of inviting competitive bids from banks wishing to handle its bond flotations.

The EIB frequently uses this bidding system for private placements and has employed it on one occasion in the public markets when launching a $100 issue last July.

M. George is guarded in discussing whether competitive bidding will be the main route through which the EIB will attack the current level of commissions.

But he confirms: "This bidding system allows us to choose the best offer, based on the total cost of raising the issue. The total cost formula includes the basic coupon and pricing envisaged, as well as commission and expenses."

Even allowing for the differences between Yankee bonds and Eurobonds, the Euromarket's commission is far too high, M. George says.

While the EIB is clearly interested in reducing the costs of its own flotations, M. George stresses that the small, retail investor—historically an underpinning influence in the market—gets a poor deal from present market practices.

The argument that he and others have raised is that the domination of the Eurobond by institutional investors, and the "sweeteners" they are offered by bond management groups have effectively created a two-tier market.

Usually, a 2½ per cent commission is available to banks handling new issues in the Eurobond market. This compares with the 1 per cent or so available in the New York bond markets.

Because of their greater investing power, a substantial part of this commission is passed onto institutions by the managing banks—effectively representing a discount for institutions purchasing the bonds. Small investors, however, are systematically charged the full price for an issue.

M. George concedes that a restructuring of Eurobond commissions would not necessarily lead to greater savings.

For instance, some banks say that a borrower, by offering a large front-end commission package which is shared among institutions, is effectively reducing the coupon for the borrower. The borrower pays the "correct" rate to the institutions and rather less to other investors.

Without such discounts, institutions would insist that the coupon and pricing formula for the whole issue should more accurately reflect market conditions.

M. George agrees, but adds, "This would still mean that everybody—big institutions and small investor—is paying the same price for the bonds."

U.S. BONDS

BY STEWART FLEMING

An underlying caution

FOR THE fourth consecutive week bond prices in New York rose strongly against a background of further encouraging news on the economic outlook. But by Friday it was apparent that in the wake of the recent rally a more cautious mood may be spreading.

The bond market rally has resulted in particularly strong price rises in medium and long-term Treasury issues. According to Salomon Brothers short dated Treasury issues have fallen over 60 basis points in yield, with two-year issues falling from a yield of around 9.89 per cent on May 11 to a yield of 9.24 per cent at the end of last week. The gains at the longer end of the market have been significant too with 30-year Treasury issues now yielding 8.88 per cent compared with 9.25 per cent a month ago.

The corporate sector has also been sharing in this rally but to a slightly lesser degree. Long-term triple-A rated new utility bonds are now estimated to yield around 9.51 per cent compared with 9.80 per cent a month ago.

One of the factors which influenced investors was the report on Thursday that producer prices for May rose at an annual rate of only 4.8 per cent, the smallest rise in almost a year. The report raised some hopes of a slowing down of inflation. But economists remain unconvinced of the significance of the data since the slowdown from the double digit rate of inflation, which has been apparent in the data through most of this year, was attributable to a sharp decline in consumer food prices.

There are doubts about whether this can be sustained. Beef supplies, for example are expected to remain tight for several years. Prices of industrial products by contrast continued to rise strongly, particularly in sectors which are seeing the recent rises in oil prices affecting their business.

The continued uncertain inflationary outlook is one factor which seems likely to temper the bond market rally, even among those investors who are becoming increasingly convinced that a sharp economic slowdown is now underway. Several Wall Street economists continue to warn that a peak in long term interest rates could still lie ahead, pointing out that such peaks often lag behind a downturn in economic activity.

Another factor which has to be taken into account is the continued strength of credit demands and the lack of any sign so far that the Federal Reserve Board is anxious to ease its monetary policy a notch. There is growing speculation that the next move in the Fed's monetary policy will be to reduce its average weekly Federal funds target interest rate from the current 10¼ per cent to nearer 10 per cent but there is no consensus on when this might occur at the end of this week. However, the latest industrial production data (for May) will be published which may provide further evidence on just how quickly the level of economic activity is slowing.

In the absence of any acceleration of the money supply during the month and a rebound in the economy, there is speculation about a reduction in the Fed funds target before the end of the month. It is noteworthy that so far money market interest rates up to three months have remained virtually unchanged over the past month during the bond market rally with the exception of the three-month Treasury bill rate which has fallen 25 basis points.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 6⅝ 88	15	86½	87½	−0½	−0½	7.83
Australia 5.6 83	20	92⅝	93¼	0	−0½	7.87
Australia 6¾ 84	20	91½	92½	−0½	−0½	7.91
Finland 6.8 83	10	91¾	92¼	0	−0½	[illegible]
Finland 6.6 88	10	91½	92½	0	−0½	8.20

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
June 8	86.32	8.66	89.40	8.41
June 1	85.03	8.71	88.94	8.49
High '79	95.75 (1/2)		89.88 (30/1)	
Low '79	84.40 (11/1)		88.67 (23/2)	

EUROBOND TURNOVER (nominal value in $m)

U.S. $ bonds	Cedel	Euroclear
Last week	435.3	—
Previous week	540.2	—
Other bonds	208.7	—
Last week	302.8	—

* No information available—previous day's price.

† Only one market maker supplied a price.

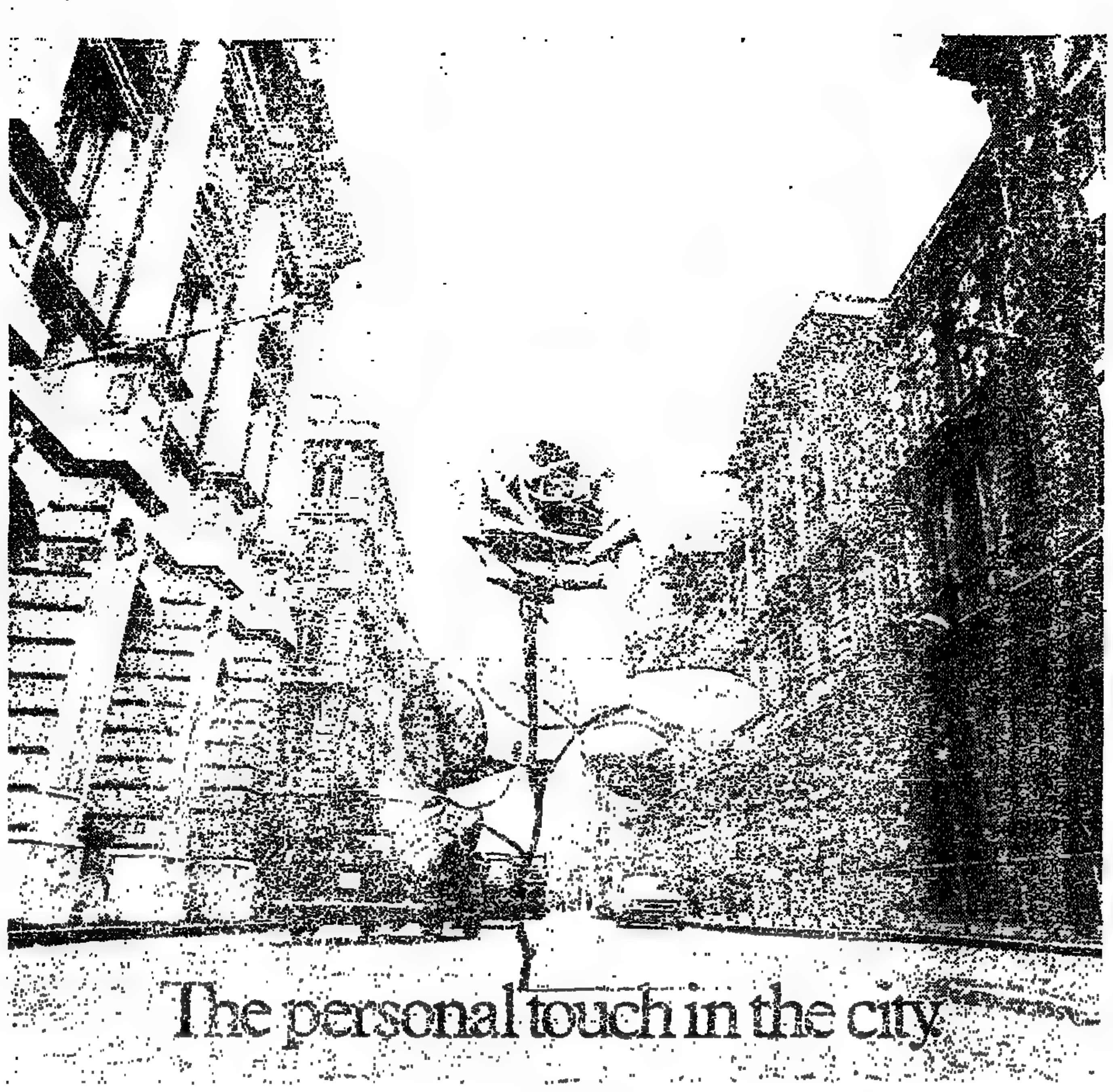
STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES. Denominated in dollars unless otherwise indicated. M = Minimum coupon. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share, expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on June 8



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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
June 12—14	British Carpet Trade Centre Fair (01-236 0913)	London, W8
June 13—15	Motrader Management Service Exhibition (0225 60466)	Bristol Exhibition Centre
June 19—21	Marine Electronics Exhibition (02802 5226)	Metropole Centre, Brighton
June 19—21	Electronic Test and Measuring Instrumentation Exhibition (01-902 8833)	Wembley Conference Centre
June 20—22	APRS Professional Recording Equipment Exbn. (09237 72907)	Connaught Rooms, WC1
June 24—28	Art Trade Exhibition (04024 46471)	Exhibition Centre, Bristol
June 25—30	International Food, Wine and Kitchen Exhibition (06284 2442)	Exhibition Centre, Harrogate
June 26—29	Microforum Europe '79 (01-405 6233)	Wembley Conference Centre
June 27—July 1...	International Fisheries and Marine Equipment Exhibition—EUROCATCH (01-353 4885)	Olympia
June 30—July 1...	Aldershot Tattoo and Exhibition (0252 24431)	Aldershot
July 8—12	Autumn Lightshow (0248 88396)	Nat. Exhibition Centre, B'ham

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	All-British Energy Exhibition (021-705 6707) (until June 16)	Peking
Current	International Transport Exhibition (IVA '79) (02013 4450) (until July 1)	Hamburg
Current	International Foundry Fair (01-409 0956) (until June 15)	Dusseldorf
Current	33rd International Aeronautics and Space Exhibition (01-439 3964) (until June 17)	Paris
Current	International Technical Goods Fair (01-215 7877) (until June 19)	Poznan
June 12—15	South West Housewares Show	Dallas
June 14—17	International Exhibition for Pharmacists—IPHARMEX '79	Basle
June 16—19	10th Hellenic Fashion Fair	Athens
June 16—20	Advanced Communications Exbn. and Conference	Copenhagen
June 16—22	International Exbn. and Congress for Metallurgical Equipment and Technology (01-409 0956)	Dusseldorf
June 17—23	Chemical Engineering Exhibition and Congress	Frankfurt
June 18—21	International Microcomputers, Minicomputers and Microprocessors Exhibition—IMMM '79	Geneva
June 19—25	Technology '79	Tel Aviv
June 21—24	Swiss Flor '79	Lausanne
June 25—29	International Construction and Public Works Exhibition—CONPEX-ASIA (01-681 7688)	Singapore
July 9—12	The National Housewares Exhibition	Chicago
July 16—20	Wood '79—The International Forestry Development, Timber Processing and Wood Working Exhibition	Singapore

BUSINESS AND MANAGEMENT CONFERENCES

Current	Urwick Management Centre: General Management (Slough 34111) (until July 13)	Slough
June 11	Brian Purry and Associates: Technology of Recruitment and Selection (0480) 54933	Strathdon Hotel, Nottingham
June 11—12	*New York Management Centre: Project Management* (01-937 3163)	Hilton Hotel, W1
June 11—15	University of Bradford Management Centre: Corporate Planning in Practice (Bradford 422999)	Heaton Mount, Bradford
June 12	The Welding Institute: Avoiding service failures in welded construction (0223 891162)	Eurocrest Hotel, Coventry
June 12—13	FT Conference: World Gold in the 1980s (01-236 4382)	Montreux
June 13—14	The Institute of Chartered Accountants: Computer Auditing (01-628 7060)	St. John's Hotel, Solihull
June 13—14	Oyez-IBC: Fluid Contamination Control (01-242 2481)	Amsterdam
June 14—16	College of Europe: Prospects for EEC Agriculture	Bruges
June 15	*Oyez-IBC: Solving DLT Problems and Mitigating Tax* (01-242 2841)	Royal Lancaster Hotel, W2
June 18—20	AMR International: Executive Secretaries (01-262 2732)	Royal Garden Hotel, W8
June 18—20	MPA: Pensions in Focus (01-839 7411)	University of Stirling
June 18	British Institute of Management: The Use of Microprocessors (01-405 3456)	Mount Royal Hotel, WC1
June 18—19	FT Conference: World-Wide Investment in the U.S. (01-236 4382)	New York
June 18—19	University of Bradford Management Centre: Industrial Marketing Planning (Bradford 42299)	Heaton Mount, Bradford
June 20	The Henley Centre of Forecasting: Forecasts for the EEC Countries (01-353 9961)	Carlton Hotel, SW1
June 20	Chatham House Conference: The Middle East after the Shah (01-930 2233)	St. James Square, SW1
June 20-21	Weisweiller Adfos: Exchange Control (01-402 6989)	The White House, NW1
June 21—22	The Wharton School: Methods of Forecasting and Decision Making for Executives (01-937 3163)	Portman Int'cont'l Hotel, W1
June 25—27	New York University: Cleaning, Coating and Finishing Metals (01-937 3163)	Kensington Hilton Hotel

Parliament business this week

TODAY

COMMONS—Statement on fu[el] crisis by Mr. David Howel[l] Energy Secretary. Kiribati Bil[l] remaining stages.

TOMORROW

COMMONS—Chancellor of th[e] Exchequer presents Budget. A[t] 7 pm opposed private busines[s] Greater London Counc[il] (General Powers) Bill, secon[d] reading.

LORDS — University Colleg[e] London Bill, third readin[g] Industrial Training Lev[y] (Engineering) Order, motio[n] for approval. Debate on 19t[h] report of last session of EE[C] on CAP price proposals fo[r] 1979-80.

WEDNESDAY

COMMONS — Budget debat[e] second day.

LORDS—Ipswich Port Authorit[y] Bill, second reading. Debate o[n] social policies and industria[l] strategy. (Lord Melchett).

THURSDAY

COMMONS — Budget debat[e] third day.

LORDS—Four private Bill[s] Marriage (Enabling) Bill, secon[d] reading. Kiribati Independenc[e] Bill, second reading.

FRIDAY

COMMONS — Debate on CA[P] price proposals, 1979-80 an[d] related EEC documents.

Students' plea rejected

THE UNIVERSITY Council had rejected a plea by the Students Union for the University of East Anglia, Norwich, to switch its bank account from Barclays and not to invest in any of the 200 British companies which are major employers in South Africa as a protest against apartheid.

A statement in the university's news letter this weekend said that for it to become involved in national or international political affairs which did not directly effect teaching and research was "an abuse of the university's corporate status."

New shipping service to Gulf

THE FIRST non-conference general cargo service operating to the Iranian Gulf from the UK West coast is expected to start today.

The Maratine Express charter freighter Cassarate will sail from Liverpool with a mixed cargo for Dubai, Sharjah, Kuwait, and Damman.

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[illegible] Finanz AG in Zurich adds further dimensions [illegible] short and medium-term trade financing [illegible] financial services.

We are a regional universal bank headquartered in Mannheim [illegible] total assets of DM 17.4 billion. As central bank of 69 Sparkassen in Baden, we are linked to Germany's powerful network of savings banks. We are also authorized to issue our own bearer bonds, assuring a broad source of funds.

[illegible] proven ability to match available alternatives [illegible] needs are among our major strengths. For complete information just contact:

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KIDDER, PEABODY INTERNATIONAL LIMITED
KREDIETBANK INTERNATIONAL GROUP
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Banco Ambrosiano
Banca di Roma per la Svizzera
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Bank Leu International Ltd.
The Bank of Tokyo (Holland) N.V.
Banque Européenne de Tokyo
Banque Française du Commerce Extérieur
Banque Générale du Luxembourg S.A.
Banque de l'Indochine et de Suez
Banque Internationale à Luxembourg S.A.
Banque Louis-Dreyfus
Banque Nationale de Paris
Banque de Paris et des Pays-Bas
Banque de l'Union Européenne
Banque Worms
Barclays Bank International Limited
Bayerische Vereinsbank
Berliner Handels- und Frankfurter Bank
Blyth Eastman Dillon & Co. International Limited
Caisse des Dépôts et Consignations
Cassa di Risparmio di Genova e Imperia
Citicorp International Group
County Bank Limited.
Crédit Agricole
Creditanstalt-Bankverein
Crédit Commercial de France
Credit Industriel d'Alsace et de Lorraine
Crédit Industriel et Commercial
Crédit du Nord
Credito Italiano
Daiwa Europe N.V.
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Deutsche Girozentrale -Deutsche Kommunalbank-
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Dillon, Read Overseas Corporation
Dresdner Bank Aktiengesellschaft
Euramerica Finanziaria Internazionale S.p.A.
Eurogest S.p.A.
Euromobiliare S.p.A.
EuroPartners Securities Corporation
European Banking Company Limited
Fuji International Finance Limited
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft
Goldman Sachs International Corp.
Gulf Riyad Bank E.C.
Hambros Bank Limited
IBJ International Limited
Interunion-Banque
Istituto Bancario Italiano S.p.A.
Kansallis-Osake-Pankki
Kleinwort, Benson Limited
Kredietbank S.A. Luxembourgeoise
Kuhn Loeb Lehman Brothers International
Kuwait Foreign Trading, Contracting & Investment Co. (S.A.K.)
Kuwait International Finance Co. (KIFCO)
Kuwait International Investment Co. s.a.k.
Lazard Frères et Cie
McLeod Young Weir International Limited
Lombardfin S.p.A.
Luxembourg Italian Bank Société Anonyme
Manufacturers Hanover Limited
Merrill Lynch International & Co.
Mitsubishi Bank (Europe) S.A.
Mitsui Finance Europe Limited
Samuel Montagu & Co. Limited
Monte dei Paschi di Siena
Morgan Grenfell & Co. Limited
Morgan Stanley International Limited
National Bank of Abu Dhabi
The Nikko Securities Co., (Europe) Ltd.
Nippon European Bank S.A.
Nordic Bank Limited
Sal. Oppenheim Jr. & Cie
Orion Bank Limited
Pierson, Heldring & Pierson N.V.
Postipankki
N.M. Rothschild & Sons Limited
Salomon Brothers International
Sanwa Bank (Underwriters) Limited
Scandinavian Bank Limited
J. Henry Schroder Wagg & Co. Limited
Skandinaviska Enskilda Banken
Smith Barney, Harris Upham & Co. Incorporated
Société Générale
Société Générale Alsacienne de Banque
Société Générale de Banque S.A.
Standard Chartered Merchant Bank Limited
Svenska Handelsbanken
Trade Development Bank London Branch
Union Bank of Finland Ltd.
Union de Banques Arabes et Françaises — U.B.A.F.
Unione di Banche Arabe ed Europee U.B.A.E. (Italia) S.p.A.
Vereins-und Westbank Aktiengesellschaft
S.G. Warburg & Co. Ltd.
Wardley Limited
Westdeutsche Landesbank Girozentrale
Dean Witter Reynolds International
Wood Gundy Limited
Yamaichi International (Nederland) N.V.

مكتبة من الأصل

Allied Irish Banks Limited
Notice of Meeting

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Allied Irish Banks Limited will be held at Bankcentre, Ballsbridge, Dublin 4 on Tuesday, 3rd July, 1979 at 12 o'clock noon for the following purposes:

Ordinary Business

To receive the Report of the Directors and Statement of Accounts for the year ended 31st March, 1979 and to declare the dividend therein recommended.

To elect Directors.

To consider and, if thought fit, pass an Ordinary Resolution in the following terms:

"That until further order of the Company in General Meeting the remuneration of the Directors be fixed at IR£6,500 per annum with, in the case of a Chairman, while holding such office, an additional sum of not less than IR£8,500 per annum and not more than IR£18,500 per annum, at the discretion of the Board, dependent on the extent of his time devoted to and the degree of his involvement in, the affairs of the Company and its main subsidiaries, and in the case of a Deputy Chairman, while holding such office, an additional sum of IR£5,000 per annum".

To authorise the Directors to fix the Auditors' remuneration.

Special Business

To authorise the capitalisation out of Share Premium Account of IR£8,109,784.75 to be applied in payment of 32,439,139 shares of 25p each, to be issued fully paid to shareholders on the Register at the close of business on 8th June, 1979 in the proportion of 1 new share of 25p for every 2 shares of 25p held on that date, such new shares to rank pari passu with the existing shares of the Company and to qualify for dividends declared after the Annual General Meeting and fractions of shares to be sold and the proceeds distributed amongst the persons entitled thereto.

To approve the proposal of the Directors to offer for subscription not exceeding 5,164,236 shares of 25p each at a discount of 33 1/3% against the average of the dealing prices on The Stock Exchange on the Offer Date (or last preceding date on which the shares were quoted if there is no quotation on the Offer Date) to such employees in the permanent full time employment of the Company and its subsidiaries and pensioners and in such amounts as the Directors may in their discretion determine.

To increase the Authorised Share Capital of the Company from IR£25,000,000 to IR£60,000,000.

By Order of the Board,
D.B. Motyer, Secretary.

Notes

1. A Member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend, speak and vote instead of him. A proxy need not be a member of the Company.
2. There are no contracts of service which are required to be made available for inspection at the Meeting.
3. In 1977 the Directors' fee was approved at IR£5,000 per annum, with, in the case of a Chairman and a Deputy Chairman an additional payment of IR£10,000 per annum and IR£3,500 per annum respectively.
4. The Directors' and Auditors' Reports and Accounts for the year ended 31st March, 1979 will be posted to Members and to Stockholders as soon as may be after normal postal services are available. At any time prior to the Annual General Meeting copies of such documents may be collected by Members and Stockholders, or inspected at the Registrar's and New Issue Department, Allied Irish Banks Limited, 7/12 Dame Street, Dublin or at the Company's Offices at 66 South Mall, Cork, 2 Royal Avenue, Belfast and 8 Throgmorton Avenue, London, EC2N 2DR. Stockholders as such are not entitled to attend the Annual General Meeting.
5. The specimen form of proxy which is printed with this Notice may be used as an instrument of proxy. Otherwise forms of proxy may be obtained from the Registrar's and New Issue Department, Allied Irish Banks Limited, 7/12 Dame Street, Dublin or from the Company's Offices at 66 South Mall, Cork, 2 Royal Avenue, Belfast and 8 Throgmorton Avenue, London EC2N 2DR.
6. This Notice is published pursuant to an Order of the High Court (Mr. Justice McWilliam) made on 31st May, 1979 under Section 135 of the Companies Act, 1963.

Bankcentre,
Ballsbridge,
Dublin 4.
1st June, 1979.

Extract from the Report of the Directors for the year ended 31st March, 1979.

Issued Share Capital

On 31st July, 1978, 4,686,289 fully paid shares of 25p each were issued on conversion of IR£5,646,131 10% Convertible Unsecured Subordinated Loan Stock 1985.

Results

The profit of the Group attributable to shareholders of Allied Irish Banks Limited amounted to IR£28,039,000 and has been dealt with as shown in the Consolidated Profit and Loss Account.

Dividend

An interim dividend of 3.5 pence per 25p share amounting to IR£2,271,000 was paid on 15th December, 1978 and it is recommended that a final dividend of 5.0 pence amounting to IR£3,244,000 be paid on 4th July, 1979 making a total distribution for the year of 8.5 pence. With the related tax credits, the gross distribution for the year will be equivalent to 12.14 pence representing an increase of 11.27% on the comparable gross distribution of 10.91 pence in 1978. If this recommendation is approved the balance of profit to be transferred to Revenue Reserves will amount to IR£22,356,000.

Subsidiaries

On 26th February, 1979 the Company subscribed for U.S. $8,000,000 undated Subordinated Loan Stock of Allied Irish Investment Bank Limited.

Directors

The Directors have accepted with regret the resignations through retirement of Mr. F.L. Jacob, Mr. J.G. Sisk and Mr. O.J. Toole. The Directors retiring by rotation are Sir Cecil Bateman, Dr. L. St. J. Devlin, Dr. Declan Dwyer, Mr. J.E. Fitzpatrick, Professor Patrick Lynch and Mr. Patrick O'Keeffe and being eligible they offer themselves for re-appointment.

Since the end of the Financial Year the Directors have co-opted to the Board Mr. Maurice Abrahamson and Mr. Thomas Cavanagh. In accordance with Article 92 these gentlemen now offer themselves for re-appointment.

Interests in the Share Capital of the Company

The Directors have been informed that Irish Life Assurance Company Limited is now the holder of between 5% and 10% of the Issued Share Capital of the Company. With this exception no one person, whether a Director or otherwise, has, so far as the Company is aware, an interest of 5% or more in the Share Capital of the Company.

Contracts

No contracts of significance in relation to the Company's business in which Directors of the Company had an interest, subsisted at any time during the year ended 31st March, 1979. There are no service contracts in force for any Director with the Company or any of its subsidiaries with more than 12 months of the term unexpired or which may not be determined within a year without payment of compensation.

Auditors

Messrs. Coopers & Lybrand have signified their willingness to continue in office under Section 160 of the Companies Act, 1963.

Niall Crowley, Chairman
Patrick Lynch, Declan Dwyer, Joint Deputy Chairmen

1st June, 1979.

Consolidated Balance Sheet 31st March, 1979

	1979 IR£000	1978 IR£000
Capital and Reserves		
Share Capital	16,220	15,048
Share Premium	21,214	17,013
Capital Reserves	25,618	17,409
Revenue Reserves	88,819	75,010
Shareholders' Funds	151,871	124,480
Minority Interest in Subsidiaries	950	851
Loan Stock	4,793	10,439
Floating Rate Notes	14,599	16,125
Deferred Taxation	34,092	21,381
Current Liabilities		
Notes in Circulation	8,679	7,271
Current, Deposit and Other Accounts	2,493,437	1,927,323
Current Taxation	3,770	9,362
Proposed Final Dividend	3,244	3,423
	2,509,130	1,947,379
	2,715,435	2,120,655

	1979 IR£000	1978 IR£000
Cash and Short Term Funds	699,458	675,056
Investments	403,818	342,878
Advances and Other Accounts, less Provisions	1,476,397	1,009,472
Plant and Equipment leased to customers	71,253	38,635
Fixed Assets	62,176	52,608
Associated Companies	2,133	2,006
	2,715,435	2,120,655

Consolidated Profit and Loss Account Year ended 31st March, 1979

	1979 IR£000	1978 IR£000
Operating Profit:		
Allied Irish Banks Limited	26,609	24,254
Subsidiary Companies	12,576	10,870
Associated Companies	799	332
	39,984	35,456
Reduction in Provision against Advances	1,000	(1,000)
Profit before Taxation	40,984	34,456
Taxation	12,507	12,749
Profit after Taxation	28,477	21,707
Profit attributable to minority shareholders	438	7
	28,039	21,700
Extraordinary Items	—	84
Profit attributable to the shareholders of Allied Irish Banks Limited	28,039	21,616
Appropriations:		
Transfer to Capital Reserves	168	—
Dividend Paid or Proposed:		
Interim dividend of 3.5 pence per 25p Share	2,271	814
Proposed final dividend of 5.0 pence per 25p Share	3,244	3,423
	5,515	4,237
Retained Profit:		
Allied Irish Banks Limited	14,136	11,297
Subsidiary Companies	8,005	6,028
Associated Companies	215	54
	22,356	17,379
	28,039	21,616
Earnings per 25p Share:		
Basic	43.2p	41.9p
Fully Diluted	41.1p	36.7p

Auditors' Statement

To the Members of Allied Irish Banks Limited.

The above Accounts are an abstract of the Statutory Accounts of the Company for the year ended 31st March, 1979 on which we have reported without reservation.

Coopers & Lybrand,
Chartered Accountants,
Dublin.
1st June, 1979.

Allied Irish Banks Limited
Form of Proxy

I/We ....

of ....

....

the undersigned Member(s) of the above-named Company hereby appoint the Chairman of the Meeting (see Note d)

as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 3rd July, 1979, and at any and every adjournment thereof.

Dated ....1979. Signature ....

Please indicate with an "X" in the space below how you wish your votes to be cast.

ANNUAL GENERAL MEETING RESOLUTIONS	For	Against
1. To adopt the Report and Accounts and to declare the dividend recommended by the Directors.		
2. To re-appoint as a Director Sir Cecil Bateman who retires by rotation at the meeting under Articles 86 and 87.		
3. To re-appoint as a Director Dr. L. St. J. Devlin who retires by rotation at the meeting under Articles 86 and 87.		
4. To re-appoint as a Director Dr. Declan Dwyer who retires by rotation at the meeting under Articles 86 and 87.		
5. To re-appoint as a Director Mr. J.E. Fitzpatrick who retires by rotation at the meeting under Articles 86 and 87.		
6. To re-appoint as a Director Prof. Patrick Lynch who retires by rotation at the meeting under Articles 86 and 87.		
7. To re-appoint as a Director Mr. Patrick O'Keeffe who retires by rotation at the meeting under Articles 86 and 87.		
8. To re-appoint as a Director Mr. Maurice Abrahamson who retires at the meeting under Article 92.		
9. To re-appoint as a Director Mr. Thomas Cavanagh who retires at the meeting under Article 92.		
10. To determine the remuneration of the Directors.		
11. To authorise the Directors to fix the Auditors' remuneration.		
12. To authorise a Capitalisation Issue of 1 new share of 25p for every 2 shares of 25p held.		
13. To authorise an Offer of shares to employees and pensioners.		
14. To increase the Authorised Capital from IR£25,000,000 to IR£60,000,000.		

Notes

(a) To be valid this Proxy must be deposited at or returned to the Company's Registrars, 7-12 Dame Street, Dublin 2, together with any authorisation under which it is signed to reach them not less than 48 hours before the time fixed for the holding of the meeting or adjourned meeting.

(b) If the appointor is a corporation this form must be under its Common Seal or under the hand of some officer or attorney duly authorised in that behalf.

(c) In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.

(d) You may, if you wish, delete "the Chairman of the Meeting" and insert the name(s) of your choice. Please initial such alteration.

(e) If this form is signed and returned but without any indication as to how the person appointed Proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

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Ian Anthony Sales (Knutsford) Limited. King Street, Knutsford, Cheshire. Tel: 0565 52737

1978 928 Automatic. Guards Red, Black/White interior, all usual refinements.
1978 924 Lux. Malaga Red. Beige interior, radio/stereo, one owner, low mileage.
1978 911 SC Targa Sportomatic. Petrol Blue Cork interior, speed control, radio/stereo, under 3,000 miles—literally as new.
1978 911 SC Sport Coupe. Grand Prix White/Black interior, 8,000 miles.

Low mileage, late model Porsches, all models urgently required for cash.

Ian Anthony (Sales) Limited. Glaessner House, Walmersley Road, Bury. Tel: 061-761 2221/2/3

1979 BMW 635 CSi. Polaris Met., Red leather interior, electric sunroof. 1,500 miles only. £18,500.
1978 BMW 633 CSi Auto. Fjord Blue Met., Red leather int., all usual Coupe refinements. 11,000 miles only. £14,500.
1978 BMW 320 Auto. Sierra Beige. Fern Green cloth int., stereo/cassette, tinted glass. 14,000 miles only. £5,995.
1977 (T) BMW 320i. Reseda Green Met., Beige cloth int., tints, radio. "Ziebart treated." 13,000 miles only. £5,750.
1978 (T) BMW 730 Auto. Reseda Met., Fern velour int., sunroof, tinted electric windows, cent. lock., 4,000 miles only. £12,995.
1977 (S) MERCEDES 230 CE. English Red, Parchment cloth int., air cond., electric windows F/R, wash wipe H L, stereo, 11,000 miles, full service history, one owner. £13,750.
1978 (T) DAIMLER SOVEREIGN 4.2 Auto. White/Black vinyl roof, Red leather int., stereo, etc., 8,000 miles. £9,990.

Lincoln Street Motors Group

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GRANADA 2.8 GHIA AUTO

1978 (March). Metallic Beige, matching vinyl roof and champagne velour trim. Auto., PAS, tinted glass, HRW, FM radio stereo, sunroof. All Ghia refinements. 12,000 miles only. Well maintained. Service history. Excellent condition throughout.

£5,950

(Also 78 GL Auto, 9,000 £7,250)

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1978 Chevrolet. Top model to the fullest spec., including automatic, 4 W.D., 3-speed transmission, PAS, air cond., power windows, tinted glass, FM radio, extra wide wheels, towbar. Many other options. Finished unmarked White/Blue with saffron cloth trim. Genuine 19,000 only. Probably the best equipped model in mint condition available.

£6,250

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NEW FERRARI FOR EARLY DELIVERY
BB512 French Blue magnolia leather
400 Auto Mid grey Blue magnolia leather
308 GTB Silver red leather
308 GT4 Light green metallic tan leather
'78 M-Benz 450 SLC Pale blue metallic blue velour. Air-con., alloys. Electric sun roof.
'77 M-Benz 280 SE Medium Red/tan cloth. Electric sun roof, alloys
'76 M-Benz 200 Ivory tan cloth
'78 Ferrari 308 GT4 Metallic red/tan cloth. Air con., wide wheels
'78 Ferrari 308 GT4 Red black leather. Air con., wide wheels
'77 Ferrari 308 GTB Red black leather. Air con., wide wheels
'77 Porsche 924 Black/black pinstripe. Sunshine roof, alloy wheels

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1979 733i
Chamonix white, blue cloth interior, central locking, tinted glass, electric windows, radio/cassette
£13,600

1978 (T) 633 CSi A HALL MARK
Finished in cashmere metallic gold, black hide interior, electric s/roof, elec. mirror, radio/stereo cassette
£16,998

1977 633 CSi AUTOMATIC
Polaris metallic silver, black interior, air conditioning, radio/cassette
£12,000

1977 528 AUTOMATIC
Reseda metallic green and interior, tinted glass, radio/stereo cassette, air cond., pre-heater, wash/wipe
£8,500

1979 518 AUTOMATIC
Biscay blue, blue cloth, tinted glass
£6,998

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1972 ROLLS-ROYCE SHADOW, dark silver with blue leather interior, 36,000 documented miles, £17,500.
V12 E-TYPE CONVERTIBLE. 1973, midnight blue, 53,000 + history. Many unusual extras. Immaculate. £8,750.
MERCEDES 350 SL. 26,000 miles, metallic red with black hard top and interior, one owner, history. £9,300.
BMW 320/6 Manual. Feb. '78. 16,000 miles, met. blue. £5,150.
NEW CARS
PORSCHE 928 Manual. Black. All usual extras. £22,000.
MERCEDES 350 SL. Magnatite blue with parchment tex., alloy wheels, tints, etc. Delivery mileage, £19,500.
Series III JAGUAR 4.2. White, red leather, air conditioning, delivery mileage. £14,100.

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Silver Chalice with Scarlet Upholstery. Black Everflex Roof. Camargue Specification. Lambswool Rugs. Whitewall tyres. Chairman's Car. Immaculate condition

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1979 Rolls-Royce Silver Shadow II. Saloon. Silver Sand, Beige leather.
1978 June Rolls-Royce Silver Shadow II Saloon. Chestnut, Beige leather. Speedometer reading 1,350 miles.
1978 June Rolls-Royce Silver Shadow II Saloon. Caribbean Blue, Magnolia leather. Speedometer reading 6,250 miles.
1977 May Rolls-Royce Silver Shadow II Saloon. Brewster Green, Tan leather. Speedometer reading 5,500 miles.
1976 Aug. Rolls-Royce Silver Shadow Saloon. Regency Bronze. Dark Brown leather. Speedometer reading 24,000 miles. £26,500
1976 Feb. Rolls-Royce Silver Shadow Saloon. Pewter, *Green leather. Speedometer reading 39,500 miles.* £25,000
1974 Apr. Rolls-Royce Silver Shadow Saloon. Regency Bronze, Red leather. Speedometer reading 45,000 miles.
1973 May Rolls-Royce Silver Shadow Saloon. Black over Walnut, Black leather, electric sliding sunroof. Speedometer reading 38,600 miles. £18,950
1973 May Rolls-Royce Silver Shadow Saloon. Walnut, Beige Everflex roof, Beige leather. Speedometer reading 59,000 miles. £17,950

GUILDFORD

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1979 Jan. Rolls-Royce Silver Shadow II finished in Chestnut with Beige hide interior. 500 miles.
1978 Dec. Rolls-Royce Silver Shadow II finished in Chestnut with Beige hide interior. 900 miles.
1978 Oct. Bentley T2 finished in Brewster Green with Beige hide interior. 5,000 miles.
1978 May Rolls-Royce Silver Shadow II finished in Peacock Blue with Magnolia hide interior and Magnolia Everflex roof. 4,000 miles.
1978 Mar. Rolls-Royce Silver Shadow II finished in Cardinal Red with Beige hide interior. 17,000 miles.
1978 Feb. Rolls-Royce Silver Shadow II finished in Moorland Green with Magnolia hide interior. 4,600 miles.
1978 Feb. Rolls-Royce Silver Shadow II finished in Chestnut with Magnolia hide interior and Magnolia Everflex roof. 14,000 miles.
1978 Jan. Rolls-Royce Silver Shadow II finished in Cardinal Red with Beige hide interior. 1,000 miles.
1978 Jan. Rolls-Royce Silver Shadow II finished in Metallic Dark Grey with Grey hide interior. 10,000 miles.
1977 Oct. Rolls-Royce Silver Shadow II finished in Larch Green with Magnolia hide interior and Green Everflex roof. 10,000 miles.
1977 Aug. Rolls-Royce Silver Shadow II finished in Moorland Green with Green Dralon interior and Green Everflex roof. 16,000 miles.

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1976 Silver Sand, 26,000 miles

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1979 Petrol Blue, 1,000 miles

Porsche Turbo, 3.3 litre, Gold
Delivery mileage

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1979 (T) 350 SE. Mimosa yellow, velour, air cond, e/roof, Berlin remote control radio, stereo.
1979 (T) 350 SE. Metallic silver blue, blue velour, air cond, e/sunroof.

QUALITY CARS

1979 (T) Range Rover. Option pack, power steering B.
1979 (T) Daimler 4.2 Series III in damask with tan leather. Chrome wheels, electric door mirror. Delivery mileage.
1978 (T) BMW 525 Automatic. Light green with moss velour, tints, sunroof, radio/stereo, full history. £8,950.
1978 BMW 323i. Sunroof, tints, alloy wheels, radio/stereo.
1979 (T) Model Porsche 928 Automatic in petrol blue with check velour, air cond, radio/stereo. 1,150 miles.
1979 (T) MGB GT in red with striped cloth, radio. 1,100 miles.

COLLECTORS CARS

1979 (T) Rolls-Royce Silver Shadow. Le Mans Blue. 2,500 miles.
1930 Rolls-Royce 20/30 Coupe WITH ONLY 13,500 MILES. Please telephone for details.
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WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Clifford (Charles), 96, Marsham Street, SW, 12.15
Grovebell, Burnley Crest Hotel, Kierby Walk, Burnley, Lancs., 12.0
Viking Resources Trust, Great Eastern Hotel, Liverpool Street, EC, 12
Young Companies Inv. Tst., 20, Cannon Street, EC, 12.15

BOARD MEETINGS—
Finals:
Ariel Industries
Assoc. British Foods
Callyns
Metal Box
Property and Reversionary Inv.
Interims:
Homfray
Sidlaw Inds.

DIVIDEND & INTEREST PAYMENTS—
Beazer (C.H.) 1.9p
Blue Circle Units 7.31p
Compagnie Financière de Suez FF27
Cooper (Frederick) 0.33p
England (J.E.) (Wellington) 1.02032p
Honeywell Inc. 55cts.
Hoskins and Horton 0.69884p
House of Lerose 2.5483p
Idris Hydraulic Tin 3p
Kraft Inc. 75cts.
London County 5½pc 85-87 2¾pc
Lowland Inv. 1.2p
Mobil Cpn. 120cts.
Pye Hldgs. 2.7597p
Squibb Cpn. 27cts.
Watts, Blake, Bearne 2.00175p

TOMORROW

COMPANY MEETINGS—
Averys, Smethwick, Warley, West Midlands, 12.15
Bunzl Pulp and Paper, Great Eastern Hotel, Liverpool Street, EC, 11.30
Clive Discount, 1, Royal Exchange Avenue, EC, 12
European Ferries, Connaught Rooms, Great Queen Street, WC, 11.30
Hoveringham, Hoveringham, Nottingham, 12
Oxley Printing, 55, Conduit Street, W, 12
United Newspapers, 23-27, Tudor Street, EC, 2
Ward White, Berkeley Hotel, Knightsbridge, W, 12

BOARD MEETINGS—
Finals:
Bankers Inv. Trust
British Benzol Carbonising
Channel Tunnel Invs.
Daily Mail and General Trust
Doornfontein Gold Mining
GEI Intl.
Hill Samuel
Johnson Matthey
Kloof Gold Mining
Libanon Gold Mining
Venterspost Gold Mining
West Driefontein Gold Mining
Interims:
Allied Breweries
Archimedes Inv. Trust
Associated Newspapers
Bertrams
East Driefontein Gold Mining

DIVIDEND & INTEREST PAYMENTS—
Barlow Rand Pfd. 18cts.
Exchequer 12pc 2013-17 6pc
Exchequer 10pc 1983 5pc
Exchequer 8½pc 1981 4¼pc
Grattan Warehouses 4.425p
Martin-Black 1p
Monsanto Cpn. 85cts.
Smith Ind. 3.6138p
Tenneco Inc. 55cts.
Volvo (Aktiebolaget) A & B SKr7

WEDNESDAY JUNE 13

COMPANY MEETINGS—
Hawtin, Metropole Hotel, Blackpool, 2.30
Lewis (John) (Partnerships), 4, Old Cavendish Street, W, 12.30
Mellins, 124-130, Seymour Place, W, 12
News International, Saddlers' Hall, Gutter Lane, EC, 12
Sanderson Kayser, Newhall Road, Sheffield, 12
Smith St. Aubyn, White Lion Court, Cornhill, EC, 12
Tozer Kemsley and Millbourn, 28, Great Tower Street, EC, 11.45
Wood (Arthur), Bradwell Works, Longport, Stoke-on-Trent, 12

BOARD MEETINGS—
Finals:
Alliance Inv. Trust
Bell and Sime
Continuous Stationery
Control Secs. Utilities
International Timber
News International
Rowlinson Constructions
Wassall (J. W.)
Wedgwood
West Bromwich Spring
Interims:
Castlefield (Klang) Rubber Estate
Compair
Killinghall (Rubber) Development
Saatchi and Saatchi
Scottish American Investment
United States and General Trust
Westland Aircraft

DIVIDEND & INTEREST PAYMENTS—
Clive Discount 3.3017p
Empire Stores (Bradford) 2.90847p
Gerrard & National Discount 8.124p
Pearl Assurance Units 10.20343p
Selection Trust 10.844p
United Newspapers 9.23248p
Wood (Arthur) (Longport) 1.0032p

THURSDAY JUNE 14

COMPANY MEETINGS—
Atlas Electric & General Trust, Winchester House, London Wall, EC, 2.30
Berkeley Hambro, 41, Bishopsgate, EC, 3.30
Boustead, Westbury Hotel, New Bond Street, W, 12
Central and Sheerwood, Hyde Park Hotel Knightsbridge, W, 12
Croda International, Connaught Rooms, Great Queen Street, WC, 12
Crosby House Group, Great Eastern Hotel, Liverpool Street, EC, 11
Durton-Forshaw, Park Lane Hotel, Piccadilly, W, 12
Glaves, Brown's Hotel, Dover Street, W, 12
Heal, 196, Tottenham Court Road, W, 3
Hestair, Hyde Park Hotel, SW, 12
Hewden-Stuart, 135, Buchanan Street, Glasgow, 12
King and Shaxson, 52, Cornhill, EC, 12
Laporte, 20, Aldermanbury, EC, 12
Miller (F.) (Textiles), 13, Bath Street, Glasgow, 12
Power Chadburn, St. George's Hotel, Lime Street, Liverpool, 12.15
Spillers, Painters Hall, 9, Little Trinity Lane, EC, 12
Usher-Walker, Connaught Rooms, Great Queen Street, WC, 12
Wimpey (G.), Royal Garden Hotel, Kensington High Street, W, 12

BOARD MEETINGS—
Finals:
Alpine Soft Drinks
Braby Leslie
British Cinematograph Theatres
Brown Shipley
Chloride
Crosby Spring Interiors
Dom Holdings
Dominion and General Trust
Dorrington
Elswick-Hopper
Great Portland Ests.
Leech (William) Builders
Milbury
Ocean Wilsons
Plysu
Robertson Foods
Valor
Interims:
English China Clays
Riley (E. J.)

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage 10¼pcDb. 92-95 5⅛pc
Berkeley Hambro Property 1.9p
Continental Oil 42½cts.
Croda International 1.346348p
Laing (John) Ord. and A 1.5p
National Bank of Australasia 8cts.
Neill (James) 3.642p
Smith St. Aubyn 3.046p
Tozer Kemsley and Millbourn 2.3351p
Wimpey (George) 1.5p

FRIDAY JUNE 15

COMPANY MEETINGS—
Allebone, 9, Station Road, Kettering, Northamptonshire, 12
Dewhurst (I.J.), Royal Station Hotel, York, 12
E. C. Cases, Forest Road, Taffwell, Cardiff, 12
Firmin, Globe Works, New Town Row, Birmingham, 12.15
Hall (Matthew), Hotel Russel, Russel Square, W, 12
Higgs and Hill, Waldorf Hotel, Aldwych, WC, 12.15
Roberts, Adlard, 116, Pall Mall, SW, 12
Silhouette, 84, Baker Street, W, 3

BOARD MEETINGS—
Finals:
Estates and Agency
Ferguson Industrial
Geers Gross
Pilkington Brothers
Woodhead (Jonas)
Interims:
Guinness (Arthur)
Lee (Arthur)
Ratoburn Investment Trust

DIVIDEND & INTEREST PAYMENTS—
AECI 5½pcPf. 2.75pc
Alcan Aluminium (U.K.) Db. 4½pc
Allebone 0.98p
Anchor Chemical 2.538p
Antigua 6pc 77-80 3pc
Australian Agricultural 10cts
BOC International Tonnage Db. 4½ (1988), 4½ (1990), 5¼pc
BSR Ln. 2½pc
Bamfords 0.975p
Benima Ind. 1.94p
Caparo 2.38p
Cedar Inv. Tst. Db. 2½pc
Central & Sheerwood 0.704p
Chrysler Cpn. 10cts.
Continental Grp. 55cts.
Cummins Engine Inc. 45cts.
Dana Cpn. 36cts.
Dover Cpn. 35cts.
Drayton Premier Inv. Tst. Db. 2½ (75-80)
Eagle Star Insurance 3.4909p
East Africa High Commission (Railways and Harbours) 5¼pc 77-83 2⅝pc
East Africa High Commission (Posts and Telecommunications) 5½pc 77-83 2¾pc
Firmin 2.7434p
Funding 5¼pc 78-80 5⅛pc
Greek 5pc 1990 (Piraeus-Larissa Rly.) (Assd. with accomt. Certs.) 2½pc
Greek Stlg. Fdg. Bds. of 1965, 2½pc
Guardian Inv. Tst. Db. 3 (73-83)
Guardian Royal Exchange Assurance Ln 3½pc
Hambro Tst. 6pcPf. 2.1pc
Higgs and Hill 1.6373p
Higsons Brewery 0.4p
Hopkinsons 4.15p
Hunting Gibson 5p
Hutton (E. F.) 20cts.
Interpublic Grp. 40cts.
Investors Capital Tst. 5½pcPf. 1.8375pc
King and Shaxson 2.7852p
King and Shaxson Cum. Ptg. Pf. 3.15p
King and Shaxson 5pc 2nd Pf. 1.75p
Lawrence (Walter) 1.8p
M. and G. Midland and General Tst. Fund Income Units 4.4p
Mexico (United Mexican States) 8½pc Bds. 1991 4¼pc
Miller (F.) (Textiles) 0.9448p
New Zealand 7¼pc 83-86 3⅝pc
Newcastle and Gateshead Water 4.025pc (fmly. 6pc) Red.Pf. 82-84 2.0125pc 4.2pc (fmly. 6pc) Red.Pf. 78-79 2.1pc 7pc (fmly. 10pc) Max. Cons. 3.5pc 4.9pc (fmly. 7pc) Max. Cons. (1876) 2.45pc 4.9pc (fmly. 7pc) Max. Ord. (1895) 2.45pc 4.2pc (fmly. 6pc) Max. Ord. 2.1pc 3.5pc (fmly. 5pc) Cons. Pf. 1.75pc 2.45pc (fmly. 3½pc) Perp.Pf. 1.225pc 3.5pc (fmly. 5pc) Red.Pf. 80-81 1.75pc
Nows 1st 5.48p
Overstone Investments 1.4cts.
Owen Owen 2.5008p
Owens Illinois 31cts.
Pearce (C.H.) 1.445p
Pearson (S.) 4.89557p
Portsmouth Water 3.5pc (fmly. 5pc) Ord. 1.75pc
Ranks Hovis McDougall Ln. 3¼pc
Reliance Grp. 40cts.
Safeguard Ind. Invs. 1.5p
St. Lawrence and Ottawa Railway Stg. 1st Mtg. Bds. 2pc
Saker's Finance and Invest. Con. Pf. 2¼pc
Sandwell 13pcRed. 1982 6½pc
Schlesinger Gilt Fund 0.6875p
Seagram 28cts.
Silhouette (London) Ord. and A 2.3783p
Singer 20cts.
Slough 8¼pc Red. 79-80 4⅛pc
Standard Chartered Bank 7.7061p
Sunderland 12½pc Red. 1984 6¼pc
Sungei Bahru Rubber Estates 0.85p
Sunlight Service 0.9437p
TRW Inc. 80cts.
Time Inc. 41¼cts.
Treasury 8½pc 77-80 4¼pc
Treasury 3½pc 77-80 1¾pc
United Biscuits Db. 3¾, 4pc
Variable Rate Treasury 1981 £4.10
Ward White 2.86p
Wellco 0.4p
Winn Ind. 1.781p
Winterbottom Tst. 5pcPf. 1.75pc
Witan Inv. Db. 2½pc

Petrol scheme

WORKERS AT the Marshall Engineering Company based at Cambridge Airport are asking the management to provide buses to and from work to save petrol. Shop stewards estimate that half of the 1,800 workers travel to the plant by car each day and a combined transport system would result in a massive fuel saving.

SONATRACH

Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures

U.S.$50,000,000 Guaranteed Floating Rate Notes due 1986 to 1992

For the six months
June 7th, 1979 to December 7th, 1979
the Notes will carry an
interest rate of 11⅝% per annum

Listed on the Luxembourg Stock Exchange

By: Bankers Trust Company, London
Agent Bank

THE LONG-TERM CREDIT BANK OF JAPAN FINANCE N.V.

U.S. $50,000,000 Floating Rate Notes 1979-1989

For the six months
7th June, 1979 to 7th December, 1979
the Notes will carry an
interest rate of 11⅝% per annum
with a coupon amount of U.S. $56.55.

Bankers Trust Company, London
Agent Bank

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051 548 6555)	11¾	½-year	1,000	5-7
Redbridge (01-478 3020)	11	½-year	200	4-5
Redbridge (01-478 3020)	11¾	½-year	200	6-7
Wrekin (0952 505051)	12	maturity	1,000	2-3

AUTHORISED UNIT TRUSTS

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund
37, rue Notre-Dame, Luxembourg.

Alexander Fund	$US7.44		......	—

Net asset value June 6.

Allen Harvey & Ross Inv. Mgt. (C.I.)
1 Charing Cross, St. Helier, Jsy., C.I. 0534-73741

AHR Gilt Edg. Fd.	£12.17	12.18xd	.....	11.21

Arbuthnot Securities (C.I.) Limited
P.O. Box 284, St Helier, Jersey. 0534 76077

Cap. Tst. (Jersey)	121	125xd	......	8.00

Next dealing June 11

Gov't Secs. Tst.	96.5	100.0	......	12.50

Next dealing June 11

East & Intl. Tst. (CI)	101	108	......	3.47

Next dealing date June 14.

Australian Selection Fund NV
Market Opportunities, c/o Irish Young & Outhwaite, 127 Kent St., Sydney

US$1 Shares	$US1.48		......	—

Net asset value November 24.

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.

Wldinvest Income	111.85	112.43	+0.28	8.23

Prices at June 7. Next sub. day June 13.

Banque Bruxelles Lambert
2, Rue De la Regence B 1000 Brussels

Renta Fund	US$57.28	59.06	-0.07	7.96

Barbican Managers (Jersey) Ltd.
P.O. Box 63, St. Helier, Jersey 0534 74806

Barb. Int. Fund	87.4	92.7xd	......	4.50

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741

Overseas Income	48.8	51.3	......	12.0
Unidollar Trust	US$11.53	12.12	......	1.66
Unibond Trust	US$97.67	98.60xd	......	9.00

1, Thomas St., Douglas, Isle o. Man. 0624 4856

Unicorn Aust. Ext.	46.2	49.7	......	1.80
Do. Aust. Min.	32.6	35.1xd	......	1.70
Do. Grtr. Pacific	71.7	77.2	......	—
Do. Intl. Income	38.4	41.3	......	8.50
Do. Isle of Man Tst.	47.7	51.3	......	8.80
Do. Manx Mutual	27.9	30.0	......	1.60

Bishopsgate Commodity Ser. Ltd.
P.O. Box 42, Douglas, I.o.M. 0624-23911

ARMAC *May 8	$US40.67	43.24	......	—
CANHRHO **May 8	£1.182	1.253	......	—
COUNT **May 8	£3.011	3.194	......	1.64

Originally issued at *$10 and **£1. Next val. June 4.

Bishopsgate Progressive—Ldn. Agents
9, Bishopsgate, EC2N 3AD 01-588 6280

BNAUT Inc. May 23	US$2.66	2.79	......	—
BNASF May 24	97.0	104.03	......	—

Bridge Management Ltd.
P.O. Box 508, Grand Cayman, Cayman Is.

N'bashi May 31	¥16,470		......	—

G.P.O. Box 590, Hong Kong

Nippon Fd. June 6	US$16.32	17.06	......	0.97

Britannia Tst. Mngmt. (C.I.) Ltd.
30 Bath St., St. Helier, Jersey. 0534 73114

Sterling Denominated Fds.

Growth Invest	42.5	45.9	......	2.00
Far East & Int. Fd.	81.2	87.8	......	1.00
Jersey Energy Tst.	163.7	177.0	......	1.50
Univsl. $ Tst. Stg.	£2.31	2.43	......	1.00
High Int. Stg. Tst.	0.95	0.98xd	......	12.20

U.S. Dollar Denominated Fds.

Univsl. $ Tst.	5.88	6.19	......	—
Int. High Int. Tst.	0.95	0.98xd	......	9.20

Value June 1. Next dealing June 11.

Brown Shipley Tst. Co. (Jersey) Ltd.
P.O. Box 583, St. Helier, Jersey. 0534 74777

Stlg. Bd. Fd. (h)	10.37	10.40xd	-0.02	11.83

Butterfield Management Co. Ltd.
P.O. Box 195, Hamilton, Bermuda.

Buttress Equity	US$2.61	2.70	......	1.62
Buttress Income	US$2.08	2.15	......	[illegible]

[illegible]

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
	"Shorts" (Lives up to Five Years)				
17M 17S	Treasury 3pc '79‡‡	98	8.2	3.06	10.55
26M 26S	Electric 4½pc '74-79	98¼	19.3	4.33	10.25
1N 1N	Treasury 10½pc '79‡‡	99⅝	26.3	10.54	11.29
15M 15N	Electric 3½pc '76-79	97⅞	9.4	3.59	9.80
3M 3S	Treasury 9pc 1980‡‡	98⅛	25.1	9.17	11.52
14N 14M	Treasury 9½pc '80‡‡	98⅛	9.4	9.68	11.55
15O 15J	Treasury 3½pc '77-80	96¼xd	9.5	3.62	6.87
15D 15J	Funding 5½pc '78-80‡‡	97xd	9.5	5.41	6.39
25M 25N	Exchequer 13pc 1980‡‡	101¾	18.4	12.78	11.57
15J 15Ja	Treasury 11½pc 1981‡‡	100½xd	11.12	11.46	11.25
15F 15A	Treasury 3¼pc 1979-81	92½	9.1	3.78	8.05
1O 1A	Treasury 9¾pc 1981‡‡	97½	23.2	10.04	11.42
12D 12J	Exch. 8¼pc 1981	95¼xd	8.5	8.57	10.94
4F 4A	Exch. 9½pc 1981	96⅛	29.12	9.88	8.46
21F 21A	Exch. 3pc 1981	89¼	15.1	3.36	8.46
17M 17N	Treas. Variable '81‡‡	97⅞	10.4	12.28	12.94
23M 23N	Exch. 12¼pc 1981‡‡	102⅜	17.4	12.46	11.58
15J 15Ja	Treas 8¼pc '80-82‡‡	94¼xd	11.12	9.03	11.19
15A 15F	Treasury 3pc '82‡‡	86½	9.1	3.48	8.91
16S 16M	Treasury 14pc '82‡‡	105⅝	7.2	13.29	11.62
15O 15J	Treas. Variable '82‡‡	96⅞xd	9.5	12.58	13.27
5J 5Ju	Treasury 8¼pc '82	92⅞xd	1.6	8.93	11.08
22M 22S	Exch. 9¾pc 1982	93⅝	13.2	9.86	11.60
5Ju 5J	Exch. 8¾pc 1983	92⅞xd	1.6	9.42	11.22
21A 21F	Exch 3pc '83	82½	15.1	3.64	8.61
17S 17M	Treasury 12pc 1983‡‡	100⅝	8.2	11.93	11.74
17S 17M	Treas. 12pc '83 A‡‡	100⅛	—	11.96	11.82
—	Treas Variable '83‡‡	96⅜	17.4	12.57	13.65
18J 18Ju	Treasury 9¼pc '83	93⅛	12.12	9.91	11.31
12J 12D	Exch. 10pc 1983	94⅞xd	8.5	10.54	11.46
15J 15Ju	Funding 5½pc '82-84‡‡	86½xd	11.12	6.36	9.16
	Five to Fifteen Years				
22M 22N	Exch. 12¼pc 1985	101¾	17.4	12.12	11.99
10J 10Ju	Treasury 8½pc '84-86‡‡	87¾xd	4.6	9.61	10.89
—	Exch. 13¼pc 1987	108	—	12.60	12.17
1N 1M	Funding 6½pc '85-87‡‡	80⅜	26.3	8.14	10.27
26J 26Ja	Treasury 7¾pc '85-88‡‡	84¼	20.12	9.47	11.06
1J 1Ja	Transport 3pc '78-88	64¼xd	25.5	4.62	8.67
15A 15O	Treasury 5pc '86-89	69¼	9.3	7.25	9.85
15J 15Ja	Treasury 13pc 1990‡‡	103½xd	11.12	12.42	12.20
15O 15J	Treasury 8¼pc '87-90‡‡	81⅝xd	9.5	10.10	11.18
10J 10Ja	Treasury 11¾pc 1991	93¼xd	4.6	12.9	12.21
5O 5A	Funding 5¾pc '87-91‡‡	69⅛	1.3	8.42	10.48
—	Exch. 11pc 1991	93⅛	—	11.66	12.15
22J 22Ja	Treasury 12¾pc '92‡‡	107⅛	12.12	12.44	12.36
21A 21F	Treasury 10pc 1992	90⅛	15.1	11.48	11.99
25F 25A	Exch. 12¼pc '92	103⅛	19.1	12.30	12.31
14J 14Ju	Treasury 12½pc '93‡‡	100½xd	7.6	12.31	12.28
15M 15S	Funding 6pc 1993‡‡	65⅛	6.2	9.31	11.01
23M 23N	Treasury 13¾pc 1993‡‡	109⅜	17.4	12.65	12.43
1M 1S	Treasury 14½pc '94‡‡	117⅛	23.1	12.82	12.51
	Over Fifteen Years				
22F 22A	Exch. 12½pc 1994	104⅞	16.1	12.42	12.40
17M 17N	Treasury 9pc '94‡‡	81½	10.4	11.13	11.69
25Ju 25Ja	Treasury 12pc '95	102¼	19.12	12.28	12.32
1N 1M	Gas 3pc '90-95	48⅞	26.3	6.18	9.24
21Ja 21J	Exch. 10¼pc 1995	91	15.12	11.78	12.10
15M 15N	Treasury 12¾pc '95‡‡	103⅞	9.4	12.39	12.31
15S 15M	Treasury 9pc '92-96‡‡	81⅝	6.2	11.35	11.83
3N 3M	Treasury 15¼pc '96‡‡	119⅝	27.3	12.92	12.63
15N 15M	Exchequer 13¼pc '96‡‡	107	9.4	12.50	12.38
1A 1O	Redemption 3pc 1986-96	47⅝	23.2	6.38	9.15
22J 22Ja	Treasury 13¾pc '97‡‡	110¾	18.12	12.54	12.44
21A 21F	Exchequer 10½pc 1997	91¼	15.1	11.92	12.14
1M 1S	Treasury 8¾pc 1997‡‡	79⅜	15.1	11.34	11.87
1N 1M	Treasury 6¾pc '95-98‡‡	64½	26.3	10.59	11.48
30M 30S	Treas. 15½pc '98‡‡	123¾	21.3	12.85	12.60
20M 20N	Exch. 12pc 1998	98¼	17.4	12.24	12.26
15J 15Ja	Treasury 9½pc 1999‡‡	81¼xd	11.12	11.57	11.87
26S 26M	Exch. 12¼pc 1999	101⅛	—	12.35	12.35
19N 19M	Treasury 10½pc 1999	88½	12.4	11.95	12.12
22J 22Ja	Exch 12pc '99-02	102⅝	19.12	12.29	12.31
25J 25J	Treas. 13¼pc 2000-03	112⅞	—	12.52	12.43
19S 19M	Treasury 11½pc '01-04	95⅛	—	12.17	12.21
14J 14Ju	Funding 3½pc '99-04	38¼xd	7.6	9.08	10.47
21M 21N	Treasury 12½pc '03-05	102⅜	17.4	12.30	12.27
5A 5O	Treasury 8pc '02-06‡‡	71⅝	1.3	11.44	11.67
10M 10S	Treasury 5½pc '08-12‡‡	50⅝	1.2	11.17	11.46
26J 26Ja	Treasury 7¾pc '12-15‡‡	70	20.12	11.55	11.64
12J 12D	Exch. 12pc '13-'17	99xd	8.5	12.12	12.12
	Undated				
1F 1A	Consols 4pc	34¾	27.12	12.19	—
1J 1D	War Loan 3½pc‡‡	32	25.4	10.97	—
1A 1O	Conv. 3½pc '61 Aft.	36⅝	23.2	9.74	—
5A 5O	Treasury 3pc '66 Aft.	25⅛	1.3	12.21	—
5Ja.A.Ju.O.	Consols 2½pc	22xd	1.3	11.28	—
1A 1O	Treasury 2½pc	21	23.2	12.19	—

INTERNATIONAL BANK

15F 15A	5pc Stock '77-82	84½	16.1	5.92	10.86

CORPORATION LOANS

1F 1A	Birm'ham 9¾pc '79-81	95¼	2.1	9.71	11.77
1My 1N	Bristol 7¾pc '79-81	91¾	13.10	8.45	11.73
25M 25N	G.L.C. 12½pc '82	101⅛	25.10	12.29	11.76
10F 10Aug.	Do. 12½pc 1983	101½	10.1	12.32	12.02
15My 11N	Glasgow 9¼pc '80-82	93¼	19.10	9.92	11.69
22M 22N	Herts. 5½pc '78-80	94¼	25.10	5.54	11.11
15M 15N	Liverpool 9½pc '80-84	92	17.4	10.66	12.06
1J.A.J.O	Do. 3½pc Irred.	27¼xd	1.6	12.69	—
15J 15J	Lon Cp.6½pc '80-82	86½	15.12	7.51	11.81
1A 1O	Do. 9¼pc '84-85	93¼	1.3	10.10	11.11
15M 15S	L.C.C 5½pc '77-81	88⅛	15.3	6.21	11.33
15J 15J	Do. 5½pc '82-84	81⅞	15.12	6.93	10.85
11J 11D	Do 5½pc '85-87	69½xd	11.5	7.90	11.38
10J 10J	Do 6½pc '88-90	71¼	11.12	9.85	11.93
1M.J.S.D.	Do. 3pc '20 Aft.	24¼	1.5	12.53	—
15N 15S	Middx. 5¼pc 1980	95¼	15.2	5.51	11.69
10Mr. 10S.	Newcastle 9¼pc '78-80	97	9.2	9.54	11.78
15M 15N	Warwick 12½% 1980	100¼	18.10	12.41	11.81

COMMONWEALTH & AFRICAN LOANS

1J 1J	Aust. 5½pc '77-80	96½xd	31.5	5.67	11.19
1A 1O	Do. 5½pc '81-82	87	28.3	6.59	11.42
29F 28A	N.Z. 6pc '76-80	97⅛	28.1	6.24	11.58
15J 15D	Do. 7½pc '83-86	80	15.5	9.35	11.70
1M 1N	Sth. Africa 9½pc '79-81	92½	26.3	10.37	13.66
1A 1O	Sth. Rhod. 2½pc '65-70	84	3.66	—	—
15J 15D	Do. 6pc '78-81	120	12.65	—	—

LOANS

Public Board and Ind.

1J 1J	Agric. Mt. 5pc '59-89	63xd	1.12	7.89	11.13
30J 31D	Alcan 10½pc '89-94	85xd	1.1	12.35	12.80
1M 1S	Met. Wtr. 3pc 'B'	20⅛	1.1	10.73	12.59
30J 31D	U.S.M.C. 9pc 1982	120xd	2.5	7.50	—
30J 31D	Do. without Warrants	89½xd	2.5	10.05	13.40

Financial

30J 30J	FFI 13pc 1981	102	2.1	12.74	11.59
15M 15N	Do. 14pc '79	100⅛	9.3	14.19	—
20J 20D	Do. 14pc '83	105⅛	20.11	13.24	12.30
31Mr 30S	ICFC 5½pc Deb. '80-82	85½	1.2	6.54	11.20
31My 30N	Do. 6½pc Db. '81-84	79½	23.4	7.91	11.60
11J 11J	Do. 10¼pc Uns. Ln. '86	92xd	1.6	12.41	12.30
11J 11J	Do. 11pc Uns. Ln. '88	92xd	4.6	11.95	12.40
11J 11J	Do. 11¾pc Uns. Ln. '90	95½xd	1.6	12.30	12.60
30Je 31D	Do. 7¼pc A Deb. '89-92	66½xd	4.6	10.90	12.40
31Mr 30S	Do. 7¼pc A Db. '91-94	65½	1.2	11.38	12.70
31Mr 30S	Do. 9pc 'A' '91-94	78½	1.2	11.79	12.50
28F 31A	Do. 8¼pc Ln. '92-97	76	29.1	12.19	12.60

FOREIGN BONDS & RAILS

Interest Due	Stock	Price £	Last xd	Div % Gross	Red. Yield
—	Antofagasta Rly.	22	8.71	—	—
1J 1J	Do. 5pc Pref.	40	13.11	—	—
1J 1J	Chilean Mixed	98	2.10	—	13.10
—	Chinese 4½pc 1898	25	—	—	—
—	Do. 5pc 1912	26	—	—	—
—	Do. 5pc 1925 Boxer	13½	—	—	—
1J 1D	German Yng. 4½pc	420	4.12	4½	—
1M 1N	Greek 7pc Ass.	46xd	1.5	3½	17.61
1F 1A	Do 6pc '28 Stab. Ass.	45	1.12	6	16.82
1A 1O	Do 4pc Mixed Ass.	40	2.1	4	15.19
May 1	Hung. '24 Ass.	52xd	2.5	—	5.10
30J 31D	Iceland 6½pc '83-88	68	27.11	—	13.05
10J 10J	Ireland 7¼pc '81-83	87¾	11.12	7½	12.34
1M 1S	Do 9¾pc '91-96	84¾	15.2	9¾	12.23
1J 1D	Japan 4pc '10 Ass	280	1.12	—	—
30J 31D	Do 6pc '83-88	73	2.1	6.00	10.80
1A 1O	Peru Ass. 3pc	160	2.10	3	1.87
30J 31D	S.G.I. 6½pc 1980	75p	2.1	6½	8.67
May 1	Turin 9pc 1991	S94½	2.5	9	9.53
15A 15O	Turin 6½pc 1984.	DM91	16.10	6½	8.45
1F.M.A.N.	Uruguay 3½pc	97	1.11	3½	3.80

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

Dividends Paid	Stock	£	Last xd	Div. Gross	C'vr	Yld Gr's
Apr. Oct.	ASA	16¼	8.2	$1.00	—	3.1
September	AMF 5% Conv. '87	59	19.2	5%	—	15.5
F.My.Au.N.	Abbott Labs.‖	20⅞	9.1	84c	—	—
Ma.Ju.Se.De.	Amax $1	32⅛	4.5	$2.70	—	4.2
Ja.Ap.Jy.O.	American Express	20⅞	3.4	$1.80	—	4.4
F.My.Au.N.	Amer. Medic. Int.	17⅛	27.3	60c	—	1.7
December	Asarco Inc.	10⅞xd	1.5	80c	—	3.7
No.Fe.Ma.Au.	Baker Intnl. Corp. $1	25⅛	30.1	44c	—	1.3
Mr.Jy.S.D.	Barnes Grp $6⅔	15xd	25.5	$1.0	—	3.4
D.Mr.Ju.SP.	Bendix Corp. $5	23½xd	5.6	$3.00	—	6.5
M.Je.S.D.	Beth. Steel $8	12⅛	4.5	$1.40	—	5.6
Ja.Ap.Jy.O.	Brown'g Fer. c16⅔	722p	21.3	60c	—	4.2
F.My.Au.N.	Brunswick Corpn.‖	818p	30.4	80c	—	4.9
F.My.Au.N.	Burroughs Corp. $5	42⅛	27.3	$2.00	—	2.4
MrJuSeDc	CBS $2.50	27⅜xd	22.5	$2.60	—	4.8
J.Ap.Jy.O.	C.P.C. $½	30⅜	27.3	$2.70	—	4.5
F.My.Au.N.	Caterpillar‖	33⅛	17.4	$2.10	—	3.2
F.MyAuN.	Chase M'htn.$12.5	21⅞	25.4	$2.40	—	5.6
Mr.Je.S.D.	Chesebrough $1	13½xd	24.5	$1.08	—	4.1
Mr.Jn.S.D.	Chrysler $6¼	491pxd	18.5	40c	—	4.1
My.Au.N.F.	Citicorp $4	13⅛	15.2	$1.30	—	4.8
My.Au N.F.	City Inv. $1.25	957p	2.1	10	—	5.4
MyAuN.F.	Do. Cm. Prf. B $1	14⅛	2.1	$2.0	—	6.9
F.My.Au.N.	Colgate-P. $1	975p	19.4	$1.08	—	5.6
MaJu.Se.De.	Colt Inds. $1	25⅛xd	5.6	$2.50	—	5.0
My.A.N.Fb.	Cont. Illinois $10.	16	27.3	$1.44	—	4.6
Mr.Je.S.D.	Cont. Oil $5	22xd	7.5	$1.70	—	3.9
Ap.Jy.O.Ja.	Crown Zell. $5	22½xd	5.6	$2.10	—	4.8
F.M.A.N.	Eaton Crp. $0.50.	22¾xd	1.5	$2.25	—	5.0
J.A J.O.	Esmark	15¾	6.3	$1.84	—	6.0
Mr.Ju.S.D.	Exxon ‖	30⅞	6.11	$3.60	—	6.0
J.Ap.Jy.O.	Firestone Tire ‖	759p	2.1	$1.10	—	7.3
Ap.Jy.O.Ja.	First Chicago	997pxd	5.6	$1.10	—	1.4
J. Ap. Jy. O	Fluor Corp. $⅝	26⅞	27.3	$1.40	—	2.6
Mr.Je.S.D.	Ford Motor $2	25⅝	7.5	$4.00	—	7.1
Mr.Jn.S.D.	GATX	16⅝xd	5.6	$2.0	—	6.1
Apr. Oct.	Gen. Elect.$2½	29⅞	1.3	$2.60	—	4.4
Mr.Ju.S.D.	Gillette $1	14⅝	25.4	$1.60	—	5.5
Mr.Ju.S.D.	Honeywell $1.50.	40⅞xd	22.5	$2.20	—	2.7
M.J.S.D.	Hutton E.F.	10⅛	23.5	$0.68	—	3.4
Mr.Je Sep Dc	I.B.M. Corp. $5	46⅛	8.3	$13.76	—	15.0
Mr.Ju.S.D.	Ingersoll-R $2	29⅜xd	14.5	$3.16	—	5.4
Mr.Je.S.D.	I.U. International‖	811p	15.5	95c	—	5.9
F.MyAuN.	Kaiser Al. $⅓	11⅛	8.5	$1.00	—	4.3
ApJuO.Ja	Manf. Han. US$7.50	19⅝	28.3	$2.28	—	5.9
Ju.Ap.Jy.O.	Morgan (JP) US$2.5	28	20.3	$2.20	—	4.0
N.F.My.Au.	Norton Simon Inc $1	923p	1.5	92c	—	5.1
M.Jn.S.D.	Owens-Ill. $3.125	11⅞xd	7.5	$1.26	—	5.4
Ju.Oc.J.A.	Quaker Oats US$5	14⅛	20.3	$1.20	—	4.2
March	Reliance $0.25	24xd	10.5	$1.60	—	—
J.A.J.O.	Rep. N.Y. Corp. $5	22¼	1.3	$1.00	—	2.2
F.MyAuN.	Rexnord $5	10⅛	14.5	96c	—	4.7
S.D.Mr.Ju.	Richdsn.-Mrrll.$1¼	12xd	14.5	$1.06	—	4.5
Mr.Ju.S.D.	Saul (B.F.) $1	498p	11.74	—	—	—
Mr.Je.S.D.	Shell Oil $1	25	1.8	$2.0	—	4.0
Mr.Je.S.Dec.	Singer ($10)	766pxd	18.5	80c	—	5.2
Au.N.F.My.	Sperry Rand $0.50	27⅞	2.1	$1.32	—	2.4
Ma.Ju.Se.Dec.	TRW Inc. $1¼	20⅝xd	7.5	$1.80	—	4.4
Feb My Au Nov	Tenneco	20	7.5	$2.20	—	5.6
June Dec.	Do. 10% Ln. Stk. '91-95	138	27.11	10%	—	7.6
J. Ap. Jy. O.	Tesoro Pt. US$0.16⅔	870p	9.77	—	—	—
Mr.Je.S.D.	Texaco $6.25	15⅞xd	1.5	$2.16	—	6.8
Mr.Ju.S.D.	Time Inc.	22⅝xd	24.5	$1.50	—	3.3
Ja.Ap.Ju.O.	Transamerica $1	10¼	30.3	$1.00	—	4.9
MarJnSpDc	Utd. Tech. $US5	22xd	22.5	$2.20	—	5.1
Mr.Je.S.D.	U.S. Steel $1	13⅛	30.4	$1.60	—	6.1
Mr.Je.S.D.	Woolworths $3½	15½	12.3	$1.60	—	4.6
Ap.Jy.O.J.	Xerox Corp. $1	36⅛xd	24.5	$2.40	—	2.8
O.Ja.Ap.Jy.	Zapata Corp. 25c	11⅓	12.3	30c	—	1.3

S.E. List Premium 22⅝% (based on US$2.0735 per £)
Conversion factor 0.8164 (0.8065)

CANADIANS

Ma.S.J.D.	Bk.Montreal $2	11⅛	30.1	$1.24	—	4.6
F.My.Au.N.	Bk. Nova Scot.	11⅛	2.1	$1.24	—	4.6
A.Jy.O.Ja.	Bell Canada $8⅓	11⅛	18.5	$1.52	—	6.1
May Nov.	Bow Valley‖	15¾xd	14.5	h10c	—	0.3
Oct.	Brascan‖	12⅛	2.1	♦$1.0	—	3.5
F.MyAuN.	Can.Imp.Bk. $2	13⅛	2.1	$1.60	—	5.1
July Jan.	Can.Pacific $5	16⅛	28.12	97c	—	2.5
July Jan.	Do 4pc Deb. £100	31¼	2.1	4%	—	12.8
J.Ap.Jy.O.	Gulf Oil Can.‖	28⅞	21.5	$1.40	—	2.0
Ap.Jy.O.Ja	Hawker Sid. Can.‖	655p	14.11	60c	—	3.9
F.MyAuN	Hollinger $5	19¾	28.7	s$2.20	—	4.7
Apr. Oct.	Hudson's Bay ‖	14⅞	11.1	♦$1.10	—	3.2
Jan. July	Hud.B.Oil G. $2½	37⅞	26.6	$2.0	—	2.2
Mr.Je.S.D.	Imperial Oil‖	18	28.2	$1.00	—	2.4
Jan.Ap.J.O.	Inco	12⅛	16.2	40c	—	1.3
F.My.Au.N.	Int. Nat. Gas $1	725p	25.7	80c	—	4.6
Mr.Je.S.D.	Massey Ferg.‖	640p	11.77	—	—	—
—	Place Gas $1	170p	—	—	—	—
June Dec	Rio Algom	16⅝	7.5	$1.50	—	3.7
M.Je.S.D.	Royal Bk.Can. $2	19⅞	25.1	$2.20	—	4.7
SeDeMrJu	Seagram Co. C$1	19¼xd	22.5	$1.12	—	2.4
F.MyAuN.	Tor. Dom. Bk. $1	10⅞	27.12	$1.20	—	4.7
J.Ap.Jy.O.	Trans Can. Pipe	11⅛	26.6	$1.16	—	4.3

S.E. List Premium 22⅝% (based on $2.4381 per £)

BANKS AND HIRE PURCHASE

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Yld Gr's	P/E
Jan. July	ANZ $A1	298	2.1	Q20c	3.2	3.8	7.6
Apr. July	Alexanders D. £1	257	29.1	16.0	—	9.3	—
May Aug.	Algemene Fl.100	£98	28.4	Q25%	2.1	6.3	7.6
Oct. Apr.	Allen Harvey £1	355	12.3	21.44	—	9.0	—
Dec. June	Allied Irish	188	21.5	Q12.14	—	6.1	—
Dec June	Arbuthnot L. £1	188	27.11	10.23	—	8.1	—
July Jan.	Bk. Ireland £1	350	22.12	Q25.0	—	7.0	—
Mar. Sept.	Do. 10pc Conv.	£167	26.2	Q10%	—	f6.1	—
May Aug	Bk. Leumi I£1	10	8.5	Q16%	—	4.1	—
Aug. Feb	Bk. Leumi (UK) £1	150	29.1	10.88	1.2	10.8	11.4
Jan. July	Bk. N.S.W. $A1	228	2.1	♦Q16c	2.5	4.3	10.6
Nov. May	Bank Scotland £1	315	9.4	12.25	5.0	5.8	4.8
A. J. O. Ja	Bankers N.Y.$10	£23¼	26.3	Q$3.00	—	6.5	—
Apr. Oct	Barclays £1	455	12.3	13.54	6.5	4.4	4.3
Jan. July	Brown Shipley £1	258	27.11	♦9.41	—	5.4	—
Jan. July	Cater Ryder £1	330	21.5	18.88	—	8.5	—
May Nov.	Clive Dis'nt 20p	97	21.5	5.33	—	8.2	—
Feb Sept.	Com'l Aus. ($A1)	166	24.10	♦Q16c	2.9	5.6	6.3
May	Com'zbk DM 50	£11½	5.7	Q26.6%	—	7.3	—
March	Chon. Hbk Kr100	£14	7.3	Q12%	—	8.8	—
July Oct	Corinthian 10p	35	8.5	1.05	5.9	4.5	4.0
May	Cred. France F75	£20	5.77	Q9.87%	—	3.3	—
Jan. Apr	Dawes (G.R.)	14	18.10	—	—	—	—
—	Deutsche Bank DM50	£80	21.5	Q18%	—	2.9	—
—	F.C. Finance	73	23.5	2.2	4.9	4.5	6.8
—	First Nat. 10p	8	9.74	—	—	—	0.6
—	Do. Wrts. 75-83	3½	—	—	—	—	—
—	Fraser Ans. 10p	15¼	8.76	—	—	—	—
June Dec.	Gerrard Natnl.	234	8.5	9.12	—	5.8	—
May Nov.	Gibbs (A.)	48	3.5	2.2	—	6.8	—
Mar Aug	Gillett Bros. £1	260	26.3	16.95	—	9.7	—
June	Goode D't Mry.5p	25½	12.3	0.25	—	1.5	—
Nov. April	Grindlays	132	12.3	3.07	7.5	3.5	4.1
April Oct	Guinness Peat	204	12.3	H5.67	—	8.1	—
Dec. July	Hambros	308	27.11	♦9.76	—	4.7	—

BANKS & HP—Continued

Hire Purchase, etc.

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GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

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NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

♠ Sterling denominated securities which include investment dollar premium.
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‡ Interim since reduced, passed or deferred.
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♦ Figures or report awaited.
♥ Unlisted security.
♣ Price at time of suspension.
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
♦ Merger bid or reorganisation in progress.
♠ Not comparable.
♠ Same interim: reduced final and/or reduced earnings indicated.
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
♥ Excluding a final dividend declaration.
♣ Regional price.
|| No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stay unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 15

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	28	......	Shell. Refrshmt	87	......
Ash Spinning	105	......	Sindall (Wm.)	140	......
Bertam	25	......			
Bdg'wtr. Est. 50p	41	......	**IRISH**		
Clover Croft		......	Conv. 9% '80/82	£91	......
Craig & Rose £1	£11½	......	Alliance Gas	80	......
Dyson (R. A.) A	38	......	Arnott	400	......
Ellis & McHdy	68	−2	Carroll (P.J.)	117	+2
Fife Forge	54	......	Clondalkin	85	......
Finlay Pkg. 5p	19	......	Concrete Prods.	100	......
Graig Ship. £1	265	......	Helton (Hldgs.)	82	+6
Higsons Brew	80	......	Ins. Corp.	217	......
Holt (Jos) 25p	260	......	Irish Ropes	90	......
I.O.M. Stm. £1	162	+2	Jacob	40	+1
Pearce (C. H.)	235	......	T.M.G.	200	+3
Peel Mills	30	......	Unidare	86	−4

OPTIONS
3-month Call Rates

Industrials		I.C.I.	24	Unilever	35
A. Brew	9	"Imps"	8	U.D.T.	5
BOC Intl.	6	I.C.L.	35	Utd. Drapery	10
B.S.R.	7	Inveresk	7	Vickers	18
Babcock	18	KCA	5	Woolworths	7½
Barclays Bank	32	Ladbroke	22	**Property**	
Beecham	52	Legal & Gen.	14	Brit. Land	7½
Blue Circle	18	Lex Service	11	Cap. Counties	9
Boots	18	Lloyds Bank	25	Land Secs.	25
Bowaters	18	"Lofs"	5	MEPC	17
B.A.T.	28	London Brick	7	Peachey	13
Brown (J.)	50	Lonrho	8	Samuel Props.	14
Burton 'A'	26	Lucas Inds.	25	Town & City	2¾
Cadburys	7	"Mams"	18	**Oils**	
Courtaulds	10	Mrks. & Spncr	11	Brit. Petroleum	100
Debenhams	8	Midland Bank	30	Burmah Oil	13
Distillers	21	N.E.I.	14	Charterhall	5
Dunlop	6½	Nat. West. Bank	28	Premier	5
Eagle Star	14	Do. Warrants	15	Sears	3½
E.M.I.	12	P & O Dfd.	10	Shell	25
Gen. Accident	21	Plessey	10	Ultramar	25
Gen. Electric	35	R.H.M.	5	**Mines**	
Glaxo	50	Rank Org.	25	Charter Cons.	16
Grand Met.	14	Reed Intnl.	18	Cons. Gold	20
G.U.S. 'A'	30	Spillers	4½	Rio T. Zinc	27
Guardian	24	Tesco	7		
G.K.N.	28	Thorn	35		
Hawker Sidd.	26	Trust Houses	17		
House of Fraser	18	Tube Invest.	30		

FINANCIAL TIMES

Monday June 11 1979

Brazil raises coffee prices

By Rick Turner in Sao Paulo

BRAZIL has raised its minimum coffee export price and export taxes. Exports were suspended a week ago while officials assessed the extent of the damage caused by last month's frost.

It is estimated that 7 per cent of the current crop (1.5m bags of 60 kilos each), and 21 per cent (5.3m bags) of the 1980-81 crop is destroyed.

Brazil reopens its export registries today with a new minimum price of $1.81 per pound for Type 6 for embarkation until July 31, and $1.83 from August 1 to August 31.

For coffee Type 7 the new prices are $1.76 until July 31 and $1.78 from the month of August.

For coffee Type 7/8, the robust "Conilon" type used in production of soluble coffee, the Institute has set new prices of $1.66 and $1.68 for the same two periods.

Soluble coffee export prices were also adjusted: for spray dried variety $4.30 per pound until July 31 and $4.35 for August, and for freeze dried, $4.90 and $4.95 per pound respectively.

The contribution quota (export tax) for exports until August 3 was raised by 23 per cent to $103 per 60-kilo bag and for exports in August to $105.

Severe frosts on the last two days of May hit the crops, particularly in the state of Minas Gerais, and exports were suspended on June 4.

The total 1979 crop is now expected to be 19.5m bags instead of the predicted 21m. Damage to next year's crop is more serious: an estimated 5.3m bags are lost, meaning a crop of 19m bags as against the bumper 25m previously hoped for.

The blow to Brazilian coffee policy is twofold. Minas was to have become Brazil's major coffee producing area, a natural tendency reinforced by the 1975 frost which hit the traditionally dominant coffee state of Parana.

Furthermore, Brazil is thought to need a bumper crop to strengthen its stocks position.

A tendency for the country's stocks to dwindle set in after the excesses of the 1960s (60m bags in 1965). The Brazilian Coffee Institution (IBC) has 8m bags in stock and private traders have another 4m.

May car sales rise in rush to beat Budget

BY LISA WOOD

SALES OF new cars in the UK last month were 47 per cent higher than in May 1978. Manufacturers attribute the record sales partly to buying ahead of tomorrow's budget.

May sales at 193,369 were 31,473 up on sales for the previous month and 47 per cent higher than those in May, 1978, according to figures published by the Society of Motor Manufacturers today.

Conservative estimates for sales in the month had averaged about 163,000. Manufacturers said that demand was swollen by customers buying ahead of expected price increases — all the major manufacturers raised prices from the middle of May onwards—as well as fears that the budget would increase VAT.

The UK manufacturers also have been heartened by imports being slightly down to 56.7 per cent of the total compared with April's 57.5 per cent. But imports by the British "Big Four" —BL, Chrysler, Ford and Vauxhall — from European assembly plants totalled 38,992 cars, or 20.2 per cent of the total, compared with 13 per cent in May last year.

On the other hand the number of cars imported into the UK by Ford—32,059—dropped as a percentage of its total sales compared with April. Instead Ford's increase in total sales—up from 54,370 in April to 59,221 in May was largely met by increased UK production.

In April 58 per cent of the Ford cars registered were assembled outside the UK but in May this dropped to 54 per cent although in numbers of cars, the volume was fairly similar.

Ford said that its percentage share of the market—down to 30.64 per cent in May compared with 38.60 in April—did not show a weakening trend. It had only dropped in its share of the total market because of the "quite exceptional figures" for the month and that its sales in May had reached record levels.

But demand is still outstripping Ford's production, despite efforts to boost production of the Cortina which was the best selling car in May. Waiting lists for new Ford Cortinas still stretch up to four to five months. Ford has now cut back Fiesta production at Dagenham to concentrate on Cortinas.

The company has not yet caught up on its dramatic fall in production during the nine-weeks' strike last year and it is working hard to get its full volume of production back.

BL which produced 35,528 cars in May — up by 6,854 on April —is very slowly increasing its market penetration. But it said it had achieved its target volumes of sales for the month. But the group's sales for the first five months of this year are still dragging, however, and were down from 173,840 in the same period last year to 169,905.

During the first five months of this year total UK car sales were also at a new peak at 831,158, 12.8 per cent up on the same period last year and 7.4 per cent ahead of the record sales year, 1973.

The top 10 popular cars in the UK in May were the Ford Cortina (24,829), Ford Escort (13,350), Austin Morris Mini (9,075), Ford Fiesta (7,839), Ford Capri (7,113), Morris Marina (6,573), Austin Allegro (6,248), Ford Granada (6,080), Vauxhall Chevette (5,394) and Vauxhall Cavalier (4,801).

Car production table, Page 4

Two-point Government plan to curb NEB powers

By Hazel Duffy.

GOVERNMENT policy on the National Enterprise Board, to be outlined in tomorrow's Budget statement, will centre on a cutback in the board's annual budget and a programme of disposals which will ensure that the private sector can participate in the successful companies in the board's portfolio.

In this way, the Government will be curbing the NEB's financial resources in the future, and therefore its ability to roam around picking up companies which the private sector might be interested in. The disposals —which will be effected probably in one of two ways—will amount to a reduction in the NEB's sphere of influence and also make a contribution to the public sector savings which the Government must find to carry out its fiscal policy.

The NEB is budgeting to spend around £275m in the current year, plus another £75m for BL which will be made under the Industry Act. A large part of this budget is swallowed up by meeting the needs of BL, Rolls-Royce, and Alfred Herbert.

The Government's requirement that the NEB dispose of certain of its assets, which *will be part of a more general de-nationalisation policy,* will be done either through straight sales of its stakes in ICL (24.4 per cent) and Ferranti (50 per cent) or, alternatively, it has been suggested that the stakes in these two companies could be grouped alongside the NEB's high risk ventures in computers and electronics.

Companies in this category include INMOS, INSAC, Cambridge Instruments, and Sinclair Radionics. The private sector would then be offered a 50 per cent stake in the grouping.

This course, which might raise something like £50m, has the backing of Sir Leslie Murphy, the board's chairman, who has said that he wants to further the embryonic links between the NEB and the City on joint financing.

Whichever course is adopted as regards electronics and computers, which are the two areas where the NEB is having some success in building up a British presence, it is expected that the Fairey group of engineering companies will be returned to the private sector.

In the initial stages, this might involve the selling off of 50 per cent of the shares, with the rest to follow later. The NEB paid £20.5m for Fairey in January, 1978, and in its first year under NEB ownership it made an operating profit of £5.48m.

THE LEX COLUMN

New challenges in the Budget

The financial markets of the City have already sobered up considerably since the general election. And after more cold showers last week in the shape of the banking and trade figures they are approaching tomorrow's Budget in a subdued frame of mind. The idea that Sir Geoffrey Howe would be able to make a swift and clean break with the past has had to be modified. Whatever the political content of the Budget in its shift between direct and indirect taxation, the Chancellor will still have to wrestle with the familiar problem of a funding requirement which is big enough to threaten financial stability.

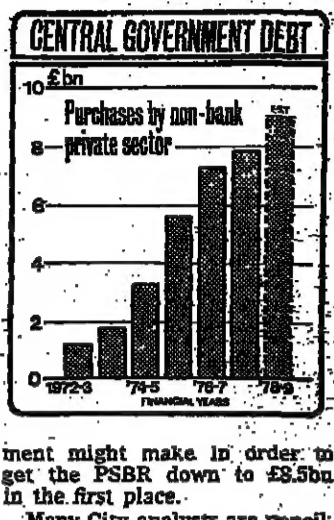
When Mr. Denis Healey outlined his tightrope act in *his* Budget of April 1978 the gilt-edged market promptly fell out of bed in apprehension. His *figuring left little room for* any buoyancy in private sector credit remand, and inevitably interest rates had to be jacked up sharply. In the end it required net sales of around £7bn of gilt-edged to the non-bank private sector in the financial year to keep the money supply within bounds.

Protecting the PSBR

There can be no expectation of any major relief on this front in 1979-80. The current feeling in the City is that Sir Geoffrey will not be able to squeeze the projected public sector borrowing requirement much below the £8.5bn promised by his predecessor. Most people think, too, that he will knock a percentage point off the target for growth in the money stock.

In that kind of framework the Chancellor will still be relying heavily on sales of Government stock to the public. Just how heavily will depend on the course of private sector credit demand. For the past few months it has been disconcertingly high, and it is probably legitimate to think that it will slow down later in the year, partly because the corset controls will be biting quite hard, and partly because the recent surge in economic activity seems likely to slacken of its own accord.

Sterling bank lending to the private sector was a little over £6bn in the banking year to April, but even if it were to ease to £5bn this time the requirement for gilt-edged sales could still be of the order of £6bn. Moreover, this does not take into account any possible asset sales which the Government might make in order to get the PSBR down to £8.5bn in the first place.



Many City analysts are pencilling in a figure in the range £0.75bn-£1.25bn for such disposals, and the point is that although they might be more acceptable to institutional investors (already sated with fixed interest stocks) than yet more gilts, they would still represent a claim on the cash resources of investors.

This sums up the financial pressures. Yet there is another side to the equation, and certainly the Treasury will have *done some calculations on the* likely capacity of the investment institutions which have, of course, been enjoying extremely buoyant inflows. Long-term insurance and pension funds received cash income of just over £8bn in calendar 1978 (a rise of over a fifth) and the figure should be more like £9.5bn this year.

The corporate sector is taking a bigger bite out of this figure in 1979 in the shape of a rising total of rights issues, and private individuals continue to sell shares for the institutions to mop up. Even so, it ought to be possible to solve the Budgetary equations without resorting to the interest rate weapon yet again, provided that investors can be shown a light at the end of the tunnel.

Late budget

So we can expect to hear some reassuring remarks about long-term strategy as well as short term tactics. The Chancellor's scope for an early impact is in any case reduced by the fact that the Budget is coming so far into the financial year. This is likely to be a Budget for 1980-81 almost as much as for 1979-80. It could be the most effective way of avoiding the risk of gilt buyers' "strikes" of the kind that Mr Healey had to face after his last full Budget.

But there will still be many hurdles to jump. Public sector pay awards seem to be accelerating, and the projections for public spending are bound to be subject to greater than usual uncertainty. The rate of inflation is increasing and is bound to continue to do so for a few months yet. However comforting Sir Geoffrey's monetary assurances are, this is bound to put at least a temporary shadow over the long end of the gilt-edged market.

There is no disguising, too, the fact that a successful funding strategy will depend to some extent on a tailing away in the buoyancy of activity in the private sector. If the corset begins to pinch this summer it will affect companies as well as individuals. This could come at a time when profits are under increasing pressure—especially in real terms.

Competitiveness

Rapid wage inflation in a strong currency economy is a serious threat to manufacturing companies; the declining competitiveness of British industry was already being cruelly exposed in the trade figures published on Friday. As if that was not enough the outlook for the world economy—and so far exports—has taken a turn for the worse.

So the City and industry are keenly awaiting any indication of how the Government will respond to the unaccustomed challenge of a strong pound. Apart from the question of hampering monetary control through pegging the exchange rate within the EMS, there has to be a new look at existing exchange controls, which are clearly inappropriate in the changed conditions. Whatever the shift i napproach to exchange controls, however, the Chancellor is never going to be able to solve all industry's problems.

The Budget will be judged against the promises of the new Government of a switch to a more prudent financial strategy in which the private sector will be encouraged to grow. If that can be done then present yields of over 12 per cent on long gilts will look very attractive in the longer term and the equity market would respond as well. But the period of financial transition does not look like being very favourable for the equity market.

Romania signs contracts to build 1-11 airliner

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PLANS BY Romania to build the British Aerospace 1-11 twin-engined jet airliner in quantity through the 1930s were confirmed over the week-end. Final contracts were signed between the UK group and The National Centre of the Romanian Aircraft Industry.

The deal, announced at the Paris air show, is expected to be worth about £115m to British Aerospace up to 1985. Three complete aircraft will be provided initially, followed by parts for another 22 aircraft to be assembled in Romania.

British Aerospace will also be passing on the detailed industrial technology on the 1-11 so that from 1985, Romania will be capable of building its own aircraft in entirety for home use and export, in parallel with continued 1-11 production in the UK.

The Romanian aircraft will use the same Rolls-Royce Spey jet engines as existing 1-11s and it is estimated that the value of the deal to Rolls-Royce is likely to be well over £100m by 1985, bringing the total value of the contracts to the UK to well over £200m through the 1980s.

The plan was first announced a year ago, when Romania signed initial agreements with British Aerospace. Since then, detailed negotiations have been in progress.

British Aerospace will continue to build and sell its own 1-11s for home and export. It seems likely there will not be a clash of interests because the Romanian aircraft are most likely to be sold in East European countries.

It was also revealed over the weekend that British Airways, which earlier this year ordered 19 of the new Boeing 757 twin-engined jet airliners, has now also taken out an option on another 18 aircraft. They will all have the new Dash-535 version of the Rolls-Royce RB-211 engines. If converted into a firm order, as seems likely through the 1980s, the 18 aircraft on option would cost well over £300m, bringing British Airways' total fleet to 37, worth over £600m. So far there are only two customers for the 757s —Eastern of the U.S., which has ordered 21 with a further 24 on option, being the other.

Boeing regards the British Airways decision as a major expression of long-term confidence in the 757, and hopes this will stimulate further orders. The new aircraft is now moving into production with the first flight set for 1982 and first deliveries to British Airways and Eastern in early 1983.

A major new development in the European Airbus story is expected this week, when Rolls-Royce sign a memorandum of understanding with Airbus Industrie, providing for the A-300 Airbus to be offered to prospective customer airlines with the RB-211 engine in its Dash-524 version.

Rolls-Royce is expected to start immediately on a programme costing several million pounds aimed at installing and flight testing the RB-211 engine in an Airbus so as to get an airworthiness certificate for that engine-airframe combination.

The decision will ensure that the Airbus, of which 346 have been sold so far, will now be available worldwide with engines from all three major manufacturers — General Electric, Pratt and Whitney, and Rolls-Royce. Many people in the aviation industry have thought for some time that by not putting the RB-211 engine onto the Airbus, Rolls-Royce were failing to win any share of the current Airbus success.

Provision of the RB-211s on the Airbus could make it a much more attractive proposition to British Airways, which so far has shown no interest in the aircraft powered by either General Electric or Pratt and Whitney engines.

Weather

UK TODAY

MOSTLY cloudy with thundery rain, but bright intervals. E. England and much of Scotland may stay dry with some sunshine.

London, S.E. England
Cloudy with scattered showers, thundery with sunny intervals. Max 21C (70F).

Cent. S. England, Midlands, Channel Is.
Thundery with showers. Max 19C (66F).

E. and N.E. England, Borders
Dry with sunny intervals. Max 18C (64F).

S.W. England, Wales
Rain at first, becoming dry. Max 18C (64F).

N.W. and Cent. N. England, Lake District, S.W. Scotland, Argyll, Ulster
Rain in places. Thundery with bright intervals Max 18C (64F).

Rest of Scotland
Mostly dry, sunny intervals. Max 17C (63F).

Orkney and Shetland
Mostly dry, sunny intervals. Max 14C (57F).

Outlook: Sunny periods with thundery showers. Temperatures normal.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	23	73	Lisbon	C	19	66
Algiers	S	26	79	Locarno	F	24	75
Amsdm.	S	16	61	London	F	17	63
Athens	F	26	79	Luxmbg	S	24	75
Bahrain	S	37	99	Luxor	S	42	103
Barclna.	S	24	75	Madrid	S	25	77
Beirut	S	29	84	Majorca	S	28	82
Belfast	S	18	64	Malaga	S	23	73
Belgrd.	F	26	79	Malta	S	28	82
Berlin	C	15	59	M'chstr	S	19	66
Biarritz	F	18	64	Melbne.	R	11	53
Bmghm.	F	16	61	Milan	F	27	81
Blackpl.	C	19	66	Montreal	C	22	72
Bordx.	F	22	72	Moscow	C	18	64
Boulgn.	C	17	63	Munich	S	25	77
Bristol	F	18	64	Nairobi	S	23	73
Brussels	F	20	68	Naples	S	26	79
Budpst.	S	26	79	Nwcstl	C	12	54
B. Aires	C	12	54	N. York	C	22	72
Cairo	S	36	97	Nice	S	24	75
Cardiff	F	18	64	Nicosia	S	35	95
Cas'bca	C	22	72	Oporto	C	18	64
Cape T.	C	15	59	Oslo	F	18	64
Chicago	R	16	61	Paris	C	17	63
Cologne	F	23	73	Perth	C	19	66
Cpnhgn.	C	14	57	Prague	S	23	73
Corfu	S	18	64	Reykjvk.	C	9	48
Dublin	C	14	57	Rhodes	S	29	84
Dbrvnk.	S	26	79	Rio J'o	S	23	73
Ednbgh.	F	17	63	Rome	S	27	81
Faro	F	21	70	Salzbrg.	S	29	84
Florence	S	28	84	Singapr	S	30	86
Frankft	S	24	75	Stckhm.	F	15	59
Funchal	S	22	72	Strasbg.	F	26	79
Geneva	S	21	70	Sydney	S	15	59
Gibrltr.	S	22	72	Tangier	F	21	70
Glasgow	S	18	64	Tel Aviv	S	27	81
G'msey	R	12	54	Tenerife	S	21	70
Helsinki	C	14	57	Tokyo	C	27	81
H. Kong	C	25	77	Toronto	C	22	72
Innsbrk.	F	26	79	Tunis	S	33	91
Invrnss.	F	17	63	Valencia	S	27	81
I.o.Man	C	15	59	Venice	S	27	81
Jersey	R	14	57	Vienna	S	27	81
Jo'burg	S	20	68	Warsaw	C	18	64
L. Plms.	S	21	70	Zurich	F	24	75

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

Howell to explain fuel supply policy

BY MICHAEL CASSELL

MR. DAVID HOWELL, the Energy Secretary, will make a statement to the Commons today in response to mounting criticism of the Government's handling of the oil and petrol supply.

But although Mr. Howell will address the House and answer MPs' questions, he is not expected to announce any measures to improve supplies.

Any taxation moves aimed at curtailing consumption would, in any case, form part of tomorrow's Budget, an event which will inhibit his room for clarification.

He said last week that, for the time being, the onus would be on consumers to reduce consumption immediately by 5 per cent. The Government's "non-intervention" policy would continue.

The question of whether or not oil exports could be reduced to help the domestic market is now being examined, although the subject is not exclusively an Energy Department matter.

At present, half of all North Sea oil produced—about 37 per cent of the UK's requirements —is exported, but any moves to reduce this figure will be handled cautiously.

The UK has international obligations to fulfill in terms of oil deliveries and the legal repercussions of reducing agreed supplies or possibly breaking EEC regulations would be major stumbling blocks. A cut in foreign shipments could also bring retaliation from suppliers of special crude oils.

There is, however, some scope for improving domestic supply. The British National Oil Corporation has the chance to renegotiate expiring sales contracts in favour of UK customers and the Government can opt to take its 12½ per cent royalty on all crude production in the form of oil rather than cash.

This was already started, on a limited basis, by the previous Government and a decision will have to be taken soon if royalty oil is required from 1980. Whatever happens, Mr. Howell has made it clear that the Government does not regard North Sea oil as an "escape route" for the UK's problems.

Mr. Howell is expected to come in for some tough questioning from the Opposition, with Mr. Callaghan already claiming to have been "astonished" at the lack of Government action aimed at improving supplies.

Mr. William Rodgers, Transport Secretary in the last Government, said yesterday that the Conservatives were showing "a deplorably casual approach" to the energy crisis. He called for "a coherent and convincing policy" to last years ahead.

Mr. Rodgers said supplies for all public transport and essential services should be guaranteed and maximum petrol prices should be fixed. He called for a tax surcharge on larger cars, higher duties for heavy goods vehicles and speed restrictions for commercial traffic.

Mr. Moss Evans, general secretary of the Transport and General Workers' Union, called for urgent Government action "to prevent exploitation under the guise of market force pressures."

The President of the Farmers Union of Wales, Mr. Myrddin Evans, warned that the success of the harvest could depend on the availability of fuel.

The Road Haulage Association said that some consumers were experiencing cuts of between 15 per cent and 50 per cent.

British Rail has found new supplies to help offset a reduction in normal diesel fuel deliveries but warns that services halted now might never be restored.

Mr. Walter Johnson, president of the Transport Salaried Staffs Association and Labour MP for Derby South, is to ask Mr. Howell to guarantee adequate fuel supplies to public transport operators.

Another MP, Mr. Richard Shepherd, (Con. Aldridge-Brownhills) is to ask the Ministers to take steps to ensure that all private motorists receive a minimum petrol allocation each week.

Pope 'can never be parted from Poland'

BY CHRISTOPHER BOBINSKI IN WARSAW

POPE John Paul II left Poland yesterday evening, ending his nine-day visit, the first ever by the head of the Roman Catholic Church to a Comunist-ruled country. "My heart can never be parted from my country,' he said at Cracow airport.

Before his departure he celebrated Mass on the Blonie field in Cracow to commemorate the 900th anniversary of the death of St. Stanislaus, bishop of Cracow and martyr. Up to 1½m people including cardinals and bishops from 38 countries attended the ceremony, surely one of the biggest crowds ever seen in Poland's history.

At the field which is overlooked by the Wawel castle, the ancient home of the kings of Poland, the people were as calm and controlled at the service as at any church on a Sunday. They applauded as the Pope said that the St. Stanislaus celebrations signified a new era for them, "of responsibility for the future of the nation and the Church in Poland."

He told his applauding listeners in this country, in which the Communist authorities will soon be celebrating the 35th anniversary of their coming to power: "You must be strong, dear brothers and sisters! You must be strong with the might which the faith gives you . . . you need this might more this day than at any other time in the past."

The crowd applauded and waved their Polish and Vatican flags when he referred to the significance of St. Stanislaus, a figure seen by the Church here as a symbol of their right and duty to stand up for the freedom of the Church and of society in general.

Today, he said, celebrations have led to "a great prayer for the victory of the moral order in this difficult era of our history."

He warned his listeners: "We know from our history that we must not at any price allow moral disorder to rule. We have paid the bitter price of that too many times in Poland's past."

The Pope once again thanked the Czechs and the Slovaks whose flags he could see in the crowd for coming. He said: "How much I would have wished that others could have been here," referring to those Christians in Eastern Europe who it has been reported have been prevented from visiting Poland for his visit.

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